

Monday January 4
Paris
MADRID
ATHENS
WARSAW
JAKART
YORK

Higher and better
Setting a pattern
for world trade

A good thing?
The dangers of a
payment surplus
Samuel Brittan, Page 10

Privacy protected
Where hackers
meet their match
Page 7



Consuming issue
How green is the
world's shopper?
Page 8

FINANCIAL TIMES

Europe's Business Newspaper THURSDAY JANUARY 5 1995 DB523A

Chinese boycott pirate products to heal US trade rift

China has stepped up its efforts to ease a trade rift with the US over copyright infringements by announcing a national boycott on pirate products. It said it planned to tighten its law on protecting intellectual property rights.

Following raids on factories violating domestic copyrights, Beijing has mounted a public relations initiative to avert trade sanctions threatened by Washington against \$2.5bn in Chinese exports. The US had said it would impose punitive tariffs on certain Chinese exports from February 4 unless Beijing strengthened copyright enforcement. Page 12; Rate rise planned, Page 4; Editorial Comment, Page 11

Viacom close to cable TV sell-off: Viacom, the US entertainment and media group, plans to make further acquisitions with part of the \$2bn or more it expects to raise from selling its US cable television systems. Page 13

Trade body launched: A total of 81 countries representing over 90 per cent of international trade have become founder members of the World Trade Organisation, according to an official count. Dreams behind the scenes, Page 11

EU ruling costs \$24bn: Water distribution companies in the European Union would have to spend up to \$24bn (£24bn) on new pipes to meet higher water quality standards proposed in a draft directive passed by the Commission. Page 12

Shares scheme: About one-third of Air France's employees have signed up to an innovative scheme in which their salaries will be reduced in return for shares in the loss-making, state-owned airline, the company said. Page 13

Record profits: Chrysler, the smallest but most profitable of the big three US carmakers, earned record pre-tax profits of \$1.06bn last year, said Mr Bob Eaton, chairman and chief executive. Page 13; Ford plans 20% rise in investment, Page 13; Saab misses sales target, Page 14

Rao presses for economic reform: Mr P.V. Narasimha Rao, India's prime minister, committed his government to the pursuit of economic reform, despite recent electoral reverses which have brought calls for a more populist approach. Page 4

Dollar hits four-month high against yen: The dollar stayed above ¥101 for the first time since August after surging in overnight Asian trade. It also reached DML5520 after the close of European trading, but was restrained from making further gains by talk of dollar sales from a European central bank and a big corporate player. In London, the dollar closed at ¥101.315, up from ¥100.84. Against the D-Mark, it finished at DML559 compared with DML539. Page 24

Baldrigh edges towards candidacy: The Presidential election campaign moved up a gear as prime minister Mr Edouard Balladur began to outline his possible campaign themes and former education minister Mr Lionel Jospin became the first socialist to declare his candidacy. Page 2

Italian crisis talks stalled: Talks aimed at resolving Italy's political crisis were suspended because President Oscar Luigi Scalfaro, 76, has flu. SCA, Sweden's second largest forestry group, is getting close to finalising an agreement to buy a substantial stake in the German pulp and paper company, PWA. Page 18; Swedish unions warn on jobs, Page 2

Ceasefire hopes: A four-day-old street war between rival clans that killed at least 23 and wounded more than 300 in the Somali capital of Mogadishu eased amid talks to arrange a ceasefire. NEC, the Japanese integrated electronics manufacturer, is considering setting up a joint venture company to manufacture personal computers in China for the Chinese market. Page 4

Vital Forsikring shares suspended: Vital Forsikring, the Norwegian life insurance and pension group, asked for trading in its shares on the Oslo bourse to be suspended following a steep rise in their price. Page 14

Sound decisions: French television viewers will not be deprived of foreign soap operas after dubbing artists voted to end a three-month strike over royalty payments, just in time to prevent TV channels running out of film stocks.

STOCK MARKET INDICES
FT-SE 100: 3,691.5 (-14.7)
DAX: 2,422
Nikkei: 15,143.8 (-0.4%)
Hang Seng: 10,004.04 (-39.02)
New York: 10,004.04 (-39.02)
Dow Jones Ind: 5,833.08 (-5.39)
S&P Composite: 457.80 (-1.31)
Euro Stoxx: 1,000.00 (-1.31)
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Balladur edges towards poll candidacy

By Andrew Jack in Paris

The French presidential election campaign moved up a gear yesterday as Mr Edouard Balladur, the prime minister, began to outline his possible campaign themes, and Mr Lionel Jospin, a former education minister, became the first socialist to declare his candidacy in the race.

In an interview in today's Paris Match magazine, Mr Balladur, who has yet to declare his candidature for the Elysée Palace, made reference to national cohesion and individual liberty while calling for the

restoration of "hope and optimism" in the nation.

Meanwhile, Mr Jospin said yesterday he was ready to be a candidate to unite the left and the ecologists on behalf of the Socialist Party following the decision in December by Mr Jacques Delors, outgoing president of the EU, not to run.

France-Ouest, one of the country's biggest-selling daily newspapers, reported yesterday that Mr Philippe de Villiers, a nationalist Euro-sceptic, was also set to declare his candidacy next Sunday evening on television.

Mr José Rossi, minister of

industry and secretary of the Republican party, yesterday became the second minister to express his support for Mr Balladur after endorsement from Mr Dominique Perben, responsible for overseas development, earlier this week.

Mr Nicholas Sarkozy, the budget minister, who has also indicated his support for Mr Balladur, said yesterday that the prime minister would announce his decision on his possible candidature later this month.

Ministers have until now respected Mr Balladur's call to politicians to keep quiet about

the election and concentrate on their current jobs until the start of this year. His request was scuppered in early November when Mr Jacques Chirac, the mayor of Paris and head of the Gaullist RPR party, announced he was running.

Mr Balladur, also a member of the RPR party, remains firmly ahead of potential socialist party candidates and is considerably higher in the opinion polls than Mr Chirac as the next president.

In his Paris Match interview, Mr Balladur said that social reforms took time to have an effect and could not be

achieved as if by a miracle simply with a change of president, an apparent reference to recent outspoken criticism of his policies by Mr Chirac, who has recently adopted a more radical stance.

Mr Balladur stressed the importance of educational reform at primary level to ensure children could read, write and count, and at secondary level to give school-leavers either a general diploma or professional training sufficient to provide them with jobs.

He stressed the importance of the family in ensuring the "social and moral cohesion of

society", and stressed the need for respect for the law. He also talked about urban problems and attention to unemployment and youth.

The first round of the French presidential elections is scheduled for late April, though it could still be brought forward if Mr Mitterrand, who is undergoing treatment for cancer, decides to step down before his second seven-year term officially ends in May. However, in his final address to the nation on French TV recently, he gave no indication he was likely to resign before completing his term.

EUROPEAN NEWS DIGEST

West German orders decline

A drop in west German manufacturing orders in November showed that the country's continued recovery from recession remains uneven, despite the faster than expected economic growth experienced last year.

Orders eased by 0.3 per cent compared with October, although the year-on-year figure was nearly 10 per cent higher, the economics ministry said. The decline in October over September was also revised to 1.2 per cent from the provisional estimate of only 0.2 per cent. The main reason for the lower order level in November was a 1 per cent drop in demand from abroad. Domestic orders were unchanged. On a two-monthly comparison, however, total orders in October and November were 1 per cent higher than in August-September. Foreign demand was 2.5 per cent higher; and domestic orders were up by 0.5 per cent. In September, new foreign orders showed a powerful advance of 12 per cent. Helped by rising world trade and German companies' enhanced competitiveness, exports grew by 9.3 per cent in October, with imports up by 10.6 per cent to produce a trade surplus of DM7bn (\$4.4bn) after DM5.1bn in September. The surplus for the first 10 months was DM59bn, a rise of 20 per cent on the January-October level of 1993, the federal statistics office said. *Andrew Fisher, Frankfurt*

US row over Bosnia arms ban

The US State Department yesterday criticised plans by Mr Bob Dole, the Senate majority leader, to seek a unilateral lifting of the arms embargo against Bosnia. "It is just the wrong thing to do at this very important point in the crisis in Bosnia," said a state department spokesman. Fighting in the north-western enclave of Bihać yesterday marred an ambitious Bosnia-wide truce, UN officials said. Serb forces from Croatia fired three mortars into Bihać town, a "safe area" in the enclave. The assault came despite the Serbs' pledge on Monday to withdraw from Bosnia. The prospects for peace were also clouded by a statement from Mr Haris Silajdzic, prime minister of Bosnia, in which he appeared to qualify his government's acceptance of a contact group plan to divide Bosnia roughly in half. He said the proposed map "rewarded the aggressor" and his government would call for the lifting of the arms embargo unless the Serbs endorsed the plan by May. Envoys from the contact group will meet today in Bonn to discuss the peace process. *Laura Silber, Belgrade and agencies*

Swedish unions warn on jobs

Sweden's main blue-collar trade union federation, the LO, a key political ally of the Social Democratic administration, yesterday warned the government that its policy of tough tax increases and spending cuts could cause high long-term unemployment. The government, fearful of a split within Social Democratic ranks over how to tackle the budget deficit and spiralling state debt, is anxious to secure union support for Sfr20bn (\$2.7bn) in spending cuts promised in next week's budget. The LO has not rejected this target outright. But its latest report on the economy published yesterday stressed its belief that the government's strategy risked depressing growth and entrenching unemployment. Official figures published yesterday showed average total unemployment in Sweden in 1994 was at a record level of almost 14 per cent. The LO said it forecast gross national product growth in 1995 and 1996 of just 2.2 per cent and 2.5 per cent respectively - below government estimates - and predicted unemployment in 1996 would still stand at more than 11 per cent. *Hugh Carnegie, Stockholm*

France seeks Algerians assurances

The French government is to send a mission to Algeria within the next few days to seek guarantees for the safety of its nationals following the Christmas hijacking of an Air France airliner in Algeria by Islamic militants. Mr Alain Juppé (left), the foreign minister, said France had been told that precautions had been taken prior to the hijacking but that they had proved inadequate. The French government has already suspended passenger flights between France and Algeria following the hijacking and warnings of further attacks from Islamic militants. The militants claim that Paris is supporting the military-backed government in Algeria in the country's increasingly violent civil conflict. Mr Edouard Balladur, the French prime minister, yesterday rejected such claims. He told a cabinet meeting that "France supports the Algerian people and only them", describing France's stance as non-interventionist. Mr Balladur later held a separate meeting with several ministers to discuss Algerian policy. Germany said yesterday that it was in contact with other western governments about how to respond to a letter from Islamic militants threatening to kill more foreigners if western embassies are not shut. *John Ridding, Paris*

Swiss bank secrecy case opened

The Zurich public prosecutor is investigating the recent disclosure of the identity of a Swiss bank client. A Swiss newspaper revealed that Mr Karl-Heinz Kipp, a retired German billionaire, was the seller of a Sfr450m (\$339m) block of shares of Union Bank of Switzerland that helped the bank to win a proxy battle in November against dissident shareholders. Under Switzerland's strict bank secrecy laws, banks are not allowed to disclose a client's identity, except in response to formal criminal charges. A violation of bank secrecy is a criminal offence. This strictness is the main reason why many rich foreigners hide their savings in Swiss banks. Mr Christian Weber, the Zurich prosecutor, said the preservation of Switzerland's reputation as a safe haven was an important factor in proceeding with the investigation. Mr Weber said he had "sufficient grounds to believe that bank secrecy laws have been broken", but was carrying out the investigation against "a person or persons unknown". Rumours of a large transaction in UBS shares surfaced in the Zurich stock market in early November. On Christmas day, a Swiss newspaper, *Sonntags Zeitung*, revealed Mr Kipp's name. *Ian Rodger, Zurich*

ECONOMIC WATCH

Turkish wholesale prices up 149%

Turkish wholesale prices rose by 8.3 per cent in December and a record 149.6 per cent in 1994, the State Institute of Statistics reported yesterday. Consumer prices showed a rise of 6.3 per cent in December from November and 125.5 per cent over the year. Economists blamed the sharp rises on public sector price rises in late November and early December. Turkey has raised prices of key goods and services by some 20 per cent in the past two months after delays ahead of a key by-election that was later cancelled. In response to the announcement of record-breaking inflation figures, Turks rushed to unload their lira yesterday. A currency flight was averted, foreign exchange traders said, because the erosion of the lira's value meant that far fewer residents could afford to buy dollars than during previous currency scares. The lira lost 61 per cent of its value last year, and began 1995 at close to 41,000 to the dollar from a year-end 38,000. When prime minister Tansu Ciller's conservatives came to power three years ago they pledged to tame inflation, then at 65 per cent. *Reuter, Ankara*

The December unemployment rate in Austria was 4.4 per cent, unchanged from November's rate, according to preliminary, unadjusted figures from the labour ministry. *AP, Vienna*

■ Norwegian industrial investment is expected to rise to Nkr12.03bn (\$1.14bn) in 1996, the Central Bureau of Statistics said. *Reuter, Oslo*

Brussels discord on new TV rules

By Emma Tucker in Brussels

European commissioners yesterday failed to agree on new proposals aimed at tightening restrictions on European broadcasters after Sir Leon Brittan, the UK commissioner, demanded a postponement of the decision.

The move reflected his and other commissioners' strong misgivings over the plans which would force broadcasters to ensure that at least 50 per cent of programmes screened were European-made, or to invest a certain proportion of their budgets in European productions.

"Sir Leon doesn't believe that the Commission is sufficiently equipped with the analytical information it needs to take a decent decision in this area," said a Commission official.

The demand for a week-long delay now puts the proposals - revisions to the 1989 Television without Frontiers directive - in jeopardy. The current Commission remains in place until the end of the week after which there is a gap before the new Commission assumes office at the end of the month.

Yesterday's setback was the latest in a string of delays for the plans put forward at the end of last year by outgoing audiovisual commissioner Mr João de Deus Pinheiro.

His original plans to drastically tighten EU laws on broadcasting and to extend them to new electronic screen-based services exposed an ideological faultline within the Commission.

On one side its more liberal-minded members such as Sir Leon, Mr Martin Bangemann, the industry commissioner, and Mr Rainero Vanzo D'Archirafi, the single market commissioner, argued that the moves could damage the industry and adversely affect the development of new screen-based services such as teleshopping which they said needed a separate set of rules.

They were pitted against Mr de Deus Pinheiro who had the strong support of the French government and French producers. They argued - as they did during the trade negotiations of the Uruguay Round - that protection of Europe's audiovisual industry is necessary to preserve the continent's culture.

The French government was anxious to tighten the 50 per cent quota, to narrow the definition of what counts as a European-made programme and to allow individual member states to impose language quotas on new electronic services such as video-on-demand.

The existing directive requires 51 per cent of material shown by European channels to be of European origin and 10 per cent to be set aside for independent European producers.

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Emma Tucker watches Euro-MPs exercise their new powers of cross-examination

EU's commissioners get the third degree

This was the moment the European parliament had been waiting for: never in its history had it had the chance to cross-examine future European commissioners on their interests, their intentions and - crucially - their attitudes towards the parliament.

Yesterday, in three packed rooms inside the parliament's Brussels headquarters, Messrs Manuel Oreja, Manuel Marin, the sitting Spanish commissioner, and Yves Thibault de Silguy, the new French commissioner, came before a hungry array of MEPs, eager to exercise new powers granted under the Maastricht treaty.

They cannot veto the appointments of individual commissioners but they can sack the lot if they don't like what they hear and expecta-

But like other arenas in Brussels the spiky questions, defensive answers, and general rumpus expected of a committee grilling were deadened by the leaden hand of translation.

By the time each MEP's carefully phrased question had been translated into all 10

other languages and the response laboriously relayed back through headphones, it was hard to remember the original point. Furthermore, Mr Oreja - talking about his role as overseer of institutional changes in Europe - insisted on taking three questions at a time.

Mr Yves Thibault de Silguy, French commissioner due to assume the economics portfolio - who himself suppressed a yawn in proceedings - did his best to enthuse over plans to introduce a single currency across the EU. "I am certain this essential task shall be completed on schedule. From the technical standpoint, nothing should stand in the way of implementing single monetary policy as of 1997," he said.

Mr Alan Donnelly, UK Labour MEP for Tyne and Wear, was unimpressed. "Civil servant answers," was his verdict. "This is not the man to fire people up for the final stages of monetary union."

Any notion of reducing Europe's working languages was squashed by Mr Oreja, who moved swiftly to reassure Greek MEP Mr Dimitros Tsatsos, a Socialist, that his lan-

guage would not be marginalised after 1996 when some have suggested that the present cumbersome structure should be honed.

Doing more to win the hearts and minds of the people was strong on the MEPs' agendas. But little was forthcoming from the men and women whose task it is to draw up future legislation.

"I am very struck to see that when we talk to our citizens of Europe nowadays, they ask what is the point of Europe - look at Bosnia, look at unemployment - they say, 'We do have a credibility problem,'" said Mr de Silguy.

There was also a hint of nervousness over the parliament's ever more assertive approach. Asked what he would do if the parliament disapproved of one of his policies, Mr de Silguy responded: "I hope never to face such a situation, for I shall strive to work in close co-operation with the European parliament, to lend it a ready ear and keep it as thoroughly informed as possible."

On yesterday's performance, it seems unlikely that Mr Jacques Santer, the Commission president, will see his team



Marcelino Oreja, new EU commissioner for Institutional Affairs, Culture and Media, at a confirmation hearing yesterday

thrown out by a disenchanted parliament. Hearings continue until the middle of next week.

"You'll be sick of them by then," commented a smug Commission official.

Russia pays high price for Chechen crisis

By John Thornhill in Moscow

The Chechen crisis, which is racking Russia's body politic, also threatens to wreck the country's chances of stabilising the economy this year.

The costs of the operation - and its aftermath - could undermine much of the government's good work in 1994 when the monthly rate of inflation was brought down to 4 per cent in August; a tight budget was approved for this year; and the economy was within striking distance of a serious stabilisation programme.

"Clearly no one knows how much the final bill for Chechnya will be, but whatever it is it will be big and will rip a hole in the 1995 budget," says one western economist in Moscow. Mr Yevgeny Yasin, the economics minister, estimates it will cost Rhs3,000bn (\$545m) just to restore the Chechen economy. This figure does not include the military costs of



Yeltsin: questions have been raised over his future

the operation nor the army's certain demands for an increased budget following its conclusion. An article in today's *Sverdlovsk* newspaper

cites a Kremlin source's estimate of the likely costs as being five times Mr Yasin's narrower figure.

Quite apart from rebuilding a city of 400,000 people, Russia will have to recreate the region's economy. The ministry of Economics estimated it would cost Rhs200bn to rebuild Chechnya's oil industry which used to produce 4m tonnes of crude a year. The ministry said only 100 of the region's 1,500 wells were operational and 60 per cent of its refining capacity. Since that estimate, fires have raged in at least one of Chechnya's three refineries.

Mr Alexander Shokhin, the reformist deputy who resigned as deputy prime minister in November, says it is inevitable that the government will have to re-write much of the budget.

He believes it will have to borrow from the central bank to fund its commitments, thereby fuelling inflation which is already pushing upwards at a

worrying rate. Following an overly loose credit policy in the summer and the surge of inflationary expectations after the rouble crash in October, inflation rose to 16.4 per cent in December. It will be difficult to tame in the immediate future.

The other big worry for Russia's economic policy-makers is that they may no longer be able to count on western financial assistance, which was expected to plug one-third of the budget deficit. A few weeks ago it seemed a matter of when rather than whether the International Monetary Fund would agree to its biggest ever financial assistance package - pledging up to \$13bn (\$3.3bn) in support.

But the climate both in Washington and Moscow has swung markedly in the past few weeks, raising grave doubts about whether a deal can be quickly struck. In mid-December, Mr Michel Camdessus, the head of the IMF,

wrote a personal letter to Mr Victor Chernomyrdin, the Russian prime minister, telling him firmly that it would be impossible for the IMF to recommend a deal before oil export quotas had been liberalised. The issue, still the subject of fierce debate within Russia, is unlikely to be resolved soon - at least to the IMF's satisfaction.

An additional worry is that it is becoming increasingly difficult to discern who really pulls the levers of economic power in the Kremlin. Mr Vladimir Potevnikov, the head of the privatisation agency, has talked about the need to rationalise strategic assets. The previously hidden hand of Gen Alexander Korzhakov, the head of the presidential security apparatus, has also been revealed as an important force in recent weeks. Even the future of President Boris Yeltsin looks uncertain.

Polish health workers drop hunger strike

By Christopher Bobinski in Warsaw

Poland's health service workers yesterday called off a series of hunger strikes after reaching agreement with the coalition government on pay demands.

The deal promising health service pay increases of 6 per cent above inflation this year removes a significant source of tension for the government as it faces a political confrontation with President Lech Walesa. Originally, the government had been willing to promise that wages would rise by no more than 6 per cent over the projected 17 per cent inflation figure written into

this year's budget.

Yesterday the Finance Ministry said that according to preliminary estimates, the cost of living rose by 23.7 per cent between the end of 1993 and the end of last year. The implication is that inflation will rise faster than the 17 per cent written into the budget.

However, the pay concession, which could turn out to be purely symbolic if the government manages to stick to its inflation targets in 1995, sees the Solidarity-led employees threatening new protests if planned talks on health service and insurance reforms prove unsatisfactory.

Meanwhile, Solidarity's regional

leadership in Rzeszow in the south-east said it would follow President Lech Walesa's lead over the opposition's tax revolt. The decision came after Mr Walesa had attacked the government, for in his view, illegally seeking to impose higher rates, and announced he would refuse to pay them.

The tax protest comes as the government and the president are already deep in conflict over the appointment of a new defence minister.

Yesterday, Mr Waldemar Pawlak, the prime minister, formally asked Mr Walesa to accept Mr Longin Pastuskiak for the vacant post, even though Mr Walesa is insisting that his own nomi-

nee, Mr Zbigniew Okonski, should get the job.

Mr Walesa and his aides have also sought to sow discord inside the coalition by suggesting that Mr Pawlak was responsible for the present crisis and that Mr Alexander Kwasniewski, head of the Left Democratic Alliance (SLD), the main coalition partner, would make a better prime minister.

Yesterday, Mr Pawlak, who heads the Peasant Party (PSL), refrained from opening a new front by asking Mr Andrzej Goleczowski, the foreign minister whose resignation Mr Walesa has said he would not accept, to stay on in the post.

Greece to try again on telecoms sell-off

By Kerin Hope in Athens

Greece's stock market is sluggish and the trade unions are as adamantly opposed to privatisation as ever. But Mr Yannis Papanioliou, the irrepressibly optimistic economy minister, says he will make another attempt to float OTE, the state telecoms monopoly, this year.

After two failed bids to bring Greece's only profitable public utility to market, the OTE offering now has a decidedly shop-soiled look about it.

The third try is therefore likely to be a modest affair, focused on local punters rather than institutional investors abroad, whose lack of interest

last November forced Mr Papanioliou to postpone the issue indefinitely.

The ruling Panhellenic Socialist Movement (Pasok) had agreed to the sale of 25 per cent of the company, divided into international and domestic tranches of 18 per cent and 7 per cent respectively.

The deal was a pared down version of the previous conservative government's ambitious 1993 scheme to sell 25 per cent of OTE, plus management rights, to an international telecoms operator and float another 14 per cent on the Athens bourse.

"What's being discussed now is selling 5-10 per cent of OTE on the Athens market and

making some equity available abroad through an arrangement like an American depositary receipt," says a local banker.

No date has been set for reviving the offering, but economy ministry officials say it will not be before June. Pricing will be a sensitive issue as the company is valued by independent analysts at around Dr1,000bn (\$2,650bn), much less than OTE's assessment.

Nevertheless, local analysts forecast healthy profits growth for OTE, which this week raised domestic tariffs by an average 20 per cent. The company's 1994 earnings are projected at around Dr150bn on turnover of almost Dr500bn.

For CS First Boston and J. Henry Schroder Wagg, appointed joint global co-ordinators for the issue in 1993, a small-scale flotation would be a disappointing outcome to what had been billed as one of the European Union's largest international equity offerings.

On the other hand, pickings for international advisers have been slim since the Socialists froze Greece's privatisation programme on returning to power in 1993.

Though Pasok reversed that a few months later, the conservatives' plans for privately financed airports and highways and power stations constructed on a build-own-operate basis and an international

telecoms operator investing heavily in OTE, have been drastically scaled back.

The Socialists are willing to permit only partial flotations of public corporations, with management control remaining in state hands.

While OTE was restructured last year ahead of the planned flotation, so that it can be run as a private sector company, its chairman is still Mr Petros Lambrou, most of whose managerial experience was acquired by serving as Pasok's treasurer. Because of opposition from OTE's powerful trade union, plans to appoint an international telecoms operator as a technical consultant are still on hold.

Zedillo eschews populism for orthodox economics

But Mexico's new president has yet to convince markets he is in control, writes Stephen Fidler

President Ernesto Zedillo of Mexico has set the tone for his presidency with a message on Tuesday that underlined his government's intention to pursue orthodox economics and eschew populism.

The plan to deal with the fallout of devaluation two weeks ago which was emerging in more detail yesterday aims explicitly at avoiding the mistakes of past devaluations, when wage and price spirals undermined any competitive benefits and extended the period of painful adjustment. In short, the Mexican plan is trying to limit that adjustment to 1995.

Mr Zedillo made no bones about how hard it would be. Mexico was not a rich country, but one with serious needs and shortages, he said. Confronting the crisis "will mean sacrifices for all of us without exception."

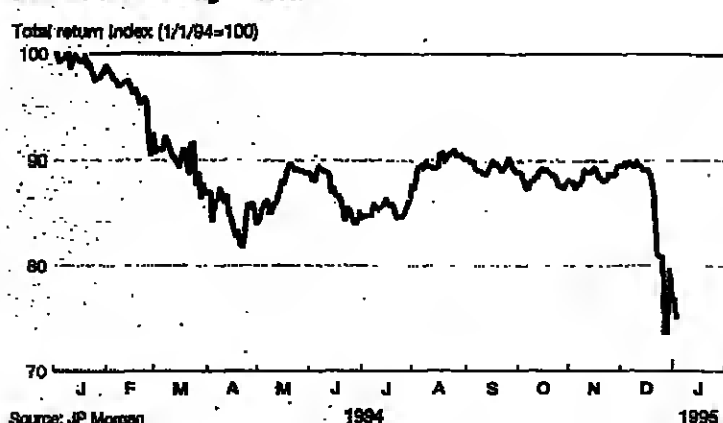
Normally professions of financial orthodoxy are greeted positively by financial markets. But the mindset of the international financial markets, for so long over-optimistic about Mexico's prospects, appears to have become equally pessimistic. Investors have not forgiven Mr Zedillo for failing to hold the exchange rate.

The financial markets appear to be reacting to several factors. One was the lack of detail in the plan, which included, for example, no inflation forecast. Another was that several competing versions of the plan were circulating. Many investors still believe the government, for example, intends to raise corporation tax, although Mr Guillermo Ortiz, the finance minister, denied it yesterday.

The multiple postponements of Mr Zedillo's speech as government, business leaders and trade unions haggled into Tuesday morning also raised questions in the minds of investors about Mr Zedillo's presidential abilities and about whether his government's agreement with the unions would succeed in holding down wage inflation.

The lambasting Mr Zedillo's government has received from investors is partially justified, perhaps, by its lack of experience and youth. Mr Ortiz at 46 is the oldest member of the government's economic team,

Mexico's Brady Bond



Mexican Brady bonds tumbled yesterday morning to their lowest level in four years amid continued uncertainty about whether Mexico would be able to make good on short-term debt in the wake of its currency crisis, reports Lisa Branstetter in New York.

Since the peso crisis began, Mexico's par Brady bond lost more than 20 per cent of its value, dropping

to \$50-3/8 by midday yesterday. The yields soared to more than 5 percentage points over the benchmark 30-year US Treasury bond.

Leaving aside the effects of collateral supporting the bonds, the securities were yielding nearly 10 percentage points over the long bond.

Troubling the market were Mexico's recent problems turning institutions of government, rather than more directly and occasionally extra-constitutionally as his predecessors did, has made leadership more difficult.

However, Mr Zedillo is early in his term, and should therefore be at the peak of his authority. Given his decision to eschew populist solutions, government officials are hoping that his stock will grow when investors become convinced of the seriousness of his proposed economic solution.

The underlying economics does not justify the reaction we are seeing. There has been a huge overreaction of the exchange rate," said one senior government official yesterday.

The government's aim was, he said, to address the problem in the current account deficit. That would now fall to \$14bn from the \$18bn earlier being forecast for 1995. This would be financed by \$9bn of foreign direct investment - realistic since 1994 FDI exceeded \$8bn - loans from commercial banks and international financial organisations totalling



Guillermo Ortiz: under pressure

\$5bn and \$1bn of net capital flows, for example into the equity market.

This assumption depends on preventing a huge further flight of capital out of Mexico this year. Much of this hinges on what happens to *tesobonos*, \$29.2bn of short-term financial instruments issued by the central bank, denominated in dollars but paid in pesos.

Worries about the continuing convertibility of the peso has made investors - some 90 per cent of which are in the US - concerned that they will not be able to take their money out of the country.

It was to address this fear that the government lined up \$18bn in foreign credit lines to back its programme. In the mean time, government officials are working on "market-oriented" solutions to attempt to persuade holders to swap *tesobonos* for longer-term securities denominated in dollars, unlike *tesobonos*, payable in pesos.

As for the negative reaction of the

stock market, officials said it was unfortunate, but understandable. The Zedillo speech underlined how hard 1995 was going to be and suggested corporate earnings would come under pressure. The plan forecasts growth of 1.5 per cent to 3 per cent for 1995 - but one official said: "I must underline how preliminary these figures are."

The actual performance of the economy will derive from the balance of growth in manufacturing industry - based on exports and import substitution - which could "conservatively" grow 14 per cent in 1995. This will be offset by the proposed cut of 1.3 per cent in government spending and some fall in consumer demand.

The government's expectations that the devaluation will boost growth is based on a big shift in the make-up of Mexico's exports since 1987 and the last devaluation of the peso. In 1987, oil accounted for some 60-70 per cent of the export total, but now the figure is 12 per cent. Some industries, such as textiles and

vehicle parts, have grown significantly last year since the introduction of the North American Trade Agreement, even at the previous overvalued exchange rate.

Another important element of the equation is what will replace the old exchange rate anchor as the cornerstone of economic policy. With most investors seeing a government with its budget probably in small surplus, the attention turns to monetary policy and to the autonomous central bank. Although the stock of Mr Mancera and his team has fallen since the devaluation - they were heavily committed to the old policy - the bank is regarded as an area of institutional competence.

Under the accord, the central bank is to limit the growth of domestic credit next year to about 16 per cent - the expected inflation rate. Asked if possible bank failures could prevent this from being achieved, a finance ministry official replied: "We are not about to add a banking crisis to this cocktail."

Investors are worried that some bank portfolios, already under pressure, will weaken much further during the devaluation, and that some may have mismatched dollar liabilities with peso assets to complicate the problem.

However, government officials say deposits are protected by an insurance fund and they do not intend depositors to lose money. They expect mergers and the injection of some foreign capital into the system, now the 30 per cent limit on foreign ownership of Mexican banks has been lifted.

The main risks to the plan, economists say, are that US interest rates will rise sharply in 1995, damaging capital inflows and raising domestic interest costs; that wages may start to rise more rapidly than envisaged; or that the peasant uprisings and assassinations that marked 1994 will continue with political instability through 1995.

When Mr Ortiz addresses 250 investors and commercial bankers in New York's Pierre Hotel today he will deliver a message of economic orthodoxy. He will be hoping that investors have not already closed their ears.

See Editorial Comment

Shying away from a long and arduous campaign

By Jurek Martin in Washington

Dick Cheney and Jim Woolsey, though separated by political parties, now have something else in common beyond an abiding interest in national security, and thinning thatches.

Both President George Bush's defence secretary and President Bill Clinton's Central Intelligence Agency (CIA) director have essentially offered the same personal reasons for, in Mr Cheney's case, not running for the Republican nomination for president and, in Mr Woolsey's, for resigning his post.

In the words of the former, "I concluded I wasn't prepared to pay the price" of a long and arduous campaign. The latter had also spoken of the toll that government service takes on family life, when he quit just after Christmas.

Neither of them offered a political rationale for their actions.

But Mr Cheney's withdrawal, in a surprise announcement on Tuesday evening, also has the short-term effect of focusing attention on the national political ambitions of two other veterans of the Republican establishment - Jack Kemp, the former congressman and housing secretary under Mr Bush, and James Baker, successfully from 1981-92 White House chief of staff and secretary of treasury and state.

Even the prospects of a campaign from former vice-president Dan Quayle are now under a medical cloud. He is back in hospital this week for an appendectomy only a month after an operation to remove blood clots.

While this may render him fit for the long struggle, it takes him out of some of the initial and important stumping and fund-raising.

Mr Kemp has scheduled a dinner with old friends and advisers next week to talk about whether to contest the nomination. This now seems in doubt, given the unpopularity in the dominant conservative Republican circles of his ideas for vigorous government intervention to relieve the plight of the inner cities.

Mr Baker could conclude that Mr Cheney's withdrawal leaves him as the only potential candidate with real foreign policy credentials, but his distaste for electoral politics and his reading of the Republican mood may also lead him to decide to fold his tent.

Certainly, the Republican-controlled 104th Congress, which convened yesterday, is dominated by domestic considerations, much as the 103rd was, after Mr Clinton's election. Of the prospective Republican candidates, only Senator Robert Dole, the majority leader, makes much of foreign policy.

He confirmed yesterday that he plans to introduce legislation soon to force a unilateral end to the Bosnian arms embargo by May 1 and to prohibit US forces from ever serving under a UN commander.

If passed, the latter could complicate any residual US military presence in Haiti when the UN assumes peace-keeping authority.

But little on the external front is heard from the two proto-candidates most advanced in their political planning - Senator Phil Gramm of Texas, due formally to declare on February 23, or Lamar Alexander, another ex-Bush cabinet member and former governor of Tennessee - or from the frequently mentioned gaggle of Republican governors.

Mr Cheney, reassuringly experienced, had last year seemed to position himself tactically in a potentially large field as being everybody's second choice, not disadvantageous given the obvious handicaps of other candidates (Mr Dole's age, Mr Gramm's strident conservatism, Mr Quayle's indifferent record, to name but three).

But he did say on Tuesday that he would support the Republican nominee whoever it was.

This not only suggests he would be back in government harness in a Republican presidency but also could be read as a warning to his old and close colleague, retired Gen Colin Powell, not to pursue the independent candidate route. Whether the former head of the Joint Chiefs of Staff takes that as an invitation to declare himself a Republican remains to be seen.

Mexican nerves on edge over wage pact tightrope

By Ted Barbooke in Mexico City

The Mexican government's capacity to keep labour unions under control may be slipping away at the very moment it is most needed.

Government officials recognise that if inflation is to be held down and the country is to emerge from the financial crisis relatively unscathed, limits on wage rises will have to be agreed and enforced.

Initially the government was barely able to get an agreement. Negotiations with organised labour on the wage aspects of the country's emergency economic plan bogged

down as two of the most important labour leaders, Mr Francisco Hernandez Juarez of the telephone workers and Ms Elba Esther Gordillo of the teachers' union, resisted the 7 per cent wage increase, saying they were getting nothing concrete in return either from the government or business except promises to keep prices down.

"What we saw is that the government has no political capital left with the unions," said political consultant Juan Pablo Sandoval. The government used to be able to offer goodies such as an elected office, public works contracts for union-owned companies and the expecta-

tion of a brighter future. With political reform, reduced public spending and dashed hopes of economic growth, the government has less room to manoeuvre.

An impassioned appeal by Mr Guillermo Ortiz, finance secretary, about the need to reach an agreement finally swayed labour leaders, although the powerful electricity workers union failed to sign the final document. Mr Ortiz argued that investors had high expectations and that without an agreement financial markets would crash and the future for workers would be even bleaker.

But the markets fell sharply anyway, thus hurting the government's

credibility with the unions something that may come to haunt economic officials. "The only thing the government has going for it (with the unions) is the fear of going back to days of 100 per cent inflation. All the government has is promises. That will probably be good enough for the short-term," said Professor Roderic Al Camp, chairman of the Latin American Studies Program at Tulane University. With a projected inflation rate of 16 per cent and a 7 per cent wage increase 10 per cent for those at the very bottom of the wage scale the sacrifice from workers would be significant, but not outrageous.

"But if the government doesn't meet its targets and recover domestic credibility the *pacto* could be in trouble and unravel," said Prof Camp, saying that the government could keep things together for about one year if it kept up its end of the inflation bargain. If prices rise too much "that time gets a whole lot shorter and the government could begin to lose it," he said.

Some are suggesting the real problem may not be between the government and unions but between union leaders and the rank-and-file. Labour leaders delivered votes for President Zedillo on the promise of a rise in real wages and additional job cre-

ation, a pledge now added to the growing number of broken promises. "They screwed up on wages," said a foreign broker. "I know they have to reduce demand but the government should have given up a little bit more to take some pressure off. What are the leaders going to say to their memberships?"

Apparently not very much. As he walked out of the negotiations visibly upset, 94-year-old labour boss Fidel Velazquez showed that much of the wage control structure may turn out to be a *chimerica* when he said after the talks: "Lots of things were said and I don't remember what they were."

Brazil hit by trade deficit

By Angus Foster in São Paulo

Brazil's trade balance went into deficit in December as rapid economic growth of more than 4.5 per cent and an overvalued currency sucked in imports.

The deficit will stoke business complaints that the unofficial trading band for the Real currency should be relaxed to prevent Brazil copying Mexico's experience of a mounting trade deficit and reliance on overseas capital.

Preliminary figures show the December deficit at R\$500m, (US\$1.6), the highest monthly deficit since September 1990. The December figure is also nearly twice as high as the R\$282m deficit in November, which was the first time since 1987 that Brazil had recorded a trade deficit.

Despite the year-end surge in imports, Brazil is expected to record an overall trade surplus last year of about R\$11bn.

The Real currency, which has brought down inflation sharply, has appreciated about 15 per cent against the US dollar since it was introduced in July. Businesses have compensated for lost export competitiveness by switching sales to the domestic market, where they face growing foreign competition as import barriers have been ended on many products.

The central bank is maintaining the Real at 0.84-0.86 to the US dollar, hoping to squeeze inflation out of the economy. But other ministers in the newly-installed government of President Fernando Henrique Cardoso are known to favour relaxing the exchange rate to protect Brazil's exports.

David Pilling on how Mexico's financial crisis has hit another Latin American economy

Argentina battered by 'Tequila effect'

Q ueries of people waiting anxiously outside banks is rarely a good sign. It is especially ominous in Argentina where hyperinflation in the late-1980s saw a complete debasement of the local currency and led to the virtual collapse of the financial system.

It was thus with a sense of foreboding that, in the dying moments of 1994, economic observers watched hoards of Argentinians clamour to change pesos into dollars, the result of seeing the Mexican currency lose nearly 40 per cent of its value in a matter of days.

On December 23, Argentina's central bank was forced to sell \$355m, its largest single-day hemorrhage of dollars since the launch in 1991 of the so-called convertibility plan. Convertibility, the core of Argentina's radical economic reform, fixes in law the parity of the peso with the dollar and forbids the printing of local currency unless backed by foreign reserves.

The "Tequila effect", as the fallout from Mexico's crisis is being called, battered Argentine markets, sending bonds plummeting, interest rates spiralling, and wiping more than 17 per cent from the stock exchange's blue-chip index in six days.

But the government held firm, pointing out important differences between Argentina's economic fundamentals and those of Mexico and repeating that with mantra-like devotion that it would not devalue. Rather than that, Mr Domingo Cavallo, the economy minister, said Argentina would prefer to see the total "dollarisation" of its economy.

Government resolve appears to be working. Pressure on the exchange rate has eased, with the central bank a net pur-



Menem: backing tough measures with an eye on the polls

chaser of dollars in the first days of 1995. Interest rates for call money, which at one point raced above 25 per cent, have fallen back to 17 per cent. The stock market reaction has been more erratic, with a recovery of 10 per cent nearly wiped out when the Merval index closed 5 per cent lower at 433.38.

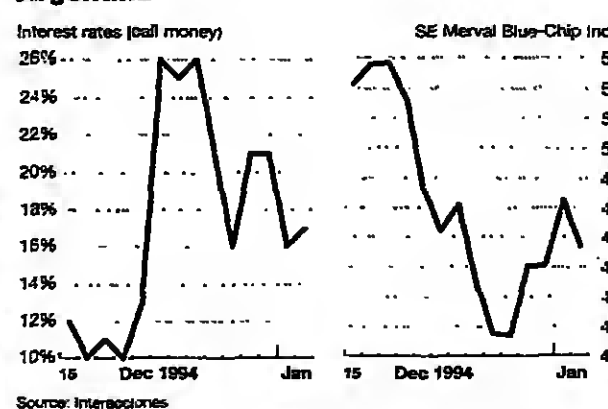
It may be too early to breathe easy. "When the calm comes, you don't know if you are in the eye of a hurricane," warns Mr Luis Secco, analyst at the Broda economic consultancy. The optimistic interpretation of events is that Argentina's exchange rate system now looks stronger after surviving a trial of fire. "The Mexican devaluation could eventually prove very positive for Argentina as it should lead to a de-coupling of Mexico and Argentina in investors' minds," says Baring Securities.

Under such circumstances, a

Optimists point to Argentina's \$16bn reserves, sounder than Mexico's pre-crisis levels. Argentina too, because it has not developed a short-term debt market, is far less exposed than Mexico to a rapid withdrawal of foreign capital. Its bimonthly system, in any case, has resulted in more than half all local bank deposits being made in dollars.

Although Argentina's trade deficit of \$5.5bn is high, the optimists argue, it is proportionately about half that of Mexico's and beginning to shrink as export growth outpaces imports. Argentina's economy has grown by 33 per cent since 1990 (compared with 11 per cent in Mexico), has seen inflation fall below 4 per cent and has shifted from consumer-led recovery to growth propelled by exports and investment.

Argentina



devaluation makes no sense, the argument goes, especially in an election year when economic stability is the principal campaign slogan of the governing Peronist party.

Furthermore, says Barings, the whiff of catastrophe has strengthened the hand of Mr Cavallo, who is pushing for severe public spending restraint after the emergence of a fiscal deficit in the second half of 1994. President Carlos Menem has already vetoed congressional attempts to raise the 1995 budget and has backed Mr Cavallo's insistence on a further \$1bn in spending cuts.

Arguments of the pessimists focus, instead, on strains within the financial system and dependency on capital inflows. Because of high interest rates, low liquidity and falling assets (in the form of banks' bond holdings) smaller financial institutions have struggled to meet their obligations. The central bank, which planned to tighten banking regulations, has instead been forced to relax them temporarily to prevent a crisis. One wholesale bank, Extrader, failed to weather the storm and has been suspended.

Mr Secco, who calculates that Argentina will need \$2.2bn in the first quarter to service its public debt, says it will be much more difficult - and far more expensive - to borrow on the international markets. In any case, Mr Cavallo has announced that no more voluntary debt will be placed while markets remain in turmoil.

Mr Secco says the Mexican crisis clearly demonstrates that "devaluation will not solve anything" and shows that "a policy of absolute exchange rate rigidity is better than a dirty float". In the unlikely event of a "catastrophic scenario", he says, pressure would begin with the "insolvency of the financial system" and a failure to "attract sufficient capital inflows".

Mr Secco is less worried about the financial system - whose difficulties he describes as "minor" - than about fiscal laxity. Argentina's response to the crisis must be to "deepen its economic reforms". "Foreign investors are asking whether Argentina will end up like Mexico," says Mr Secco. "This should not happen. But in order that it does not, the government has a lot of work."

Menem looks to middle class vote

By David Pilling in Buenos Aires

The choice of Mr Carlos Ruckauf, interior minister, as vice-presidential running-mate of Argentina's President Carlos Menem for general elections in May is an attempt to boost support for the governing Peronist party among the country's middle-class voters.

Mr Ruckauf, 56, a long-serving Peronist and labour minister in the 1975 government of Isabel Peron, has the reputation of an unflinching, scandal-free politician, with a strong image in the federal capital of Buenos Aires.

The capital, where middle-class voters, disappointed with the government's free-market reforms hold significant sway, is widely regarded as the Achilles heel in President Menem's re-election bid.

Mr Menem, whose party was defeated last April in Buenos Aires constituent assembly elections, needs 45 per cent of the national vote to be assured of a second term. Opinion polls show him hovering just below that figure; the Peronists hope Mr Ruckauf will capture sufficient middle-class waverers to tip the balance.

The naming of Mr Ruckauf earlier this week ends months of speculation. Mr Menem, who admitted that he deliberately stoked the rumour mill as a campaign ploy that "did not cost the (Peronist) Justicialista party a centavo", had endlessly fed the press with many varied clues about the identity of his running-mate.

Mr Menem's choice, from a list of around 20, is aimed at keeping peace within the Peronist party.

NEWS: INTERNATIONAL and WORLD TRADE

Central bank's move seen as prelude to wider reforms

China planning rates rises to hit inflation

By a Correspondent in Beijing

China's central bank is expected to undertake a series of small increases in its lending rates to banks and companies, in a move to cool inflation and ease pressure on troubled Chinese banks.

In the wake of a small rise in the discount rate of the People's Bank of China, effective from Sunday, Chinese financial experts quoted by the Xinhua news agency yesterday predicted that further increases were in the offing.

In the first rise in interest rates since 1993, when rates on bank deposits and loans rose twice in four months, the People's Bank of China raised its discount rate by an average of 0.24 percentage points and on loans for fixed

asset investment by 0.78 percentage points. Central bank officials said this was the first time that rates had been used to control money supply.

To date in China, lending has not been carried out on commercial terms but through direct bank lending to keep loss-ridden state-run industries afloat. Reversing this practice, officials said, the bank increased interest rates on loans to commercial banks, then allowed them to raise the rate on loans to enterprises.

"This indicates that central bank has begun to pay attention to bringing its operations into line with international practice. We can see it as a prelude to the reform of the country's interest rate system," Mr Tao Liming, an analyst with the Finance Research Institute under the Bank

of China, was quoted as saying.

The central bank's rate increase is directed at curbing inflation without raising the debt load further on heavily indebted state enterprises, almost half of which are losing money. For 1994, the government reported that retail prices rose 21.7 per cent and the consumer price index 24.2 per cent compared with the previous year. Because of soaring inflation, bank interest rates remain negative, even with the most recent increases.

The interest rate increase is also intended to ease pressure on banks caught in the gap between rates on bank loans and deposits, the news agency said.

Throughout 1994, the rate on one-year deposits stood at 10.98 per cent, on a par with the rate on

loans. But starting in March, commercial banks also paid subsidies on fixed deposits of three years to cushion their hard-pressed industrial borrowers.

Facing a tight ceiling on bank lending as a part of the government's anti-inflation effort and rapidly growing individual savings, the banks were squeezed, the news agency said.

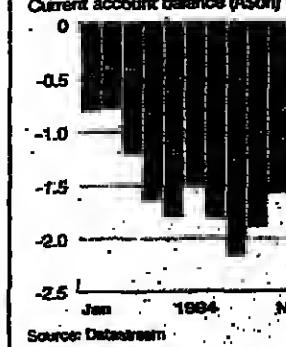
However, taking effect in January, the central bank set the interest rate subsidy at a record high of 9.84 per cent for deposits of three years and above, reflecting the planned upward trend in rates, according to Reuters. The subsidy is paid on top of existing interest on fixed deposits of three, five and eight years, standing at 12.24 per cent, 13.85 per cent and 17.1 per cent respectively.

INTERNATIONAL NEWS DIGEST

Australia deficit widens to A\$2bn

Australia

Current account balance (A\$bn)



Source: Customs

Australia's current account deficit widened to A\$2.02bn (US\$1.55bn) in November – the second time the figure has topped A\$2bn in four months. The November figure, calculated on a seasonally adjusted basis, compared with a revised A\$1.86bn deficit in October and a A\$1.45bn deficit for November 1993. It means the cumulative current account deficit for the 1994-95 financial year stands at about A\$11.2bn, a 50 per cent increase over the first five months of 1993-4. Many economists now forecast that Australia's deficit for the year will reach A\$22bn-A\$23bn, or about 5 per cent of gross domestic product. The government's budget estimates, issued in May last year, suggested an A\$18bn deficit.

The latest figures showed that imports rose by about 3 per cent in November, while exports dipped by about 2 per cent, to A\$6.46bn on a seasonally adjusted basis. The latter result was better than some forecasters had feared, largely because rural exports – thought to be depressed by the effects of the drought in eastern states – rose by 2 per cent. However, it is generally acknowledged that the drought-related squeeze on rural production will show through in due course.

The latest figures, although discouraging, were in line with market expectations and confirmed its view that fiscal policy would have to be tightened soon. Australia has already raised its interest rates three times since August in an effort to check its surging economy. However, the federal government is still running a sizeable budget deficit, and there is pressure to accelerate the move to break even – probably through tax increases. Mr Ralph Willis, Australia's treasurer, indicated before Christmas that this option would be considered when the mid-year review was undertaken this month, prompting speculation that some tax moves will be announced before the next budget in May. *Nikki Tsai, Sydney*

Thai reform may hit minister

The position of Thailand's foreign minister, Mr Thaksin Shinawatra, has been thrown into doubt following the passage of a package of constitutional amendments by the Thai parliament yesterday which forbids cabinet members from holding government concessions.

Mr Thaksin built the country's biggest telecommunications company, the Shinawatra Computer and Communications group, on his ability to win government contracts. The foreign minister has resigned as Shinawatra's chairman in favour of his wife, but may be vulnerable to the accusation of abusing at least "the spirit" of the new laws. Mr Thaksin said yesterday he would decide by next Tuesday whether to resign or not. "Legitimacy will be the keyword when I'm making up my mind about what I should do about my cabinet portfolio."

The entrepreneur was a surprise appointment to the sensitive foreign affairs portfolio late last year when the leader of the Palang Dharma (Buddhist Force) party, Mr Chamlong Srimuang, sacked all 11 of his party's ministers to try to boost his party's flagging popularity. *William Barnes, Bangkok*

Palestinians shot dead

Israeli soldiers yesterday shot dead four Palestinians in the West Bank village of Beit Lijia near Ramallah, Israeli security sources said. They said the troops opened fire after gunmen shot at the soldiers and wounded one. The incident came as soldiers were also reported to have wounded four Palestinians in two clashes at the Erez crossing between Israel and the Gaza Strip. As with a more serious incident at the same spot on Monday, when three Palestinian policemen were shot dead, each side accused the other of opening fire first. An Israeli military spokesman said Israeli sentries at the checkpoint came under fire from within the Palestinian-controlled area, and shot back. The second exchange followed when shots were fired from an orchard at an Israeli position south of the crossing.

A Palestinian spokesman claimed the Israelis fired first at the checkpoint. "They were not provoked," he maintained. Despite the continuing friction, Israel's Prime Minister Yitzhak Rabin and Mr Yasser Arafat, Palestine Liberation Organisation chairman, meet next week to try to revive the momentum of the peace negotiations. *Eric Silver, Jerusalem*

Nigeria in gas supply deal

Nigeria's oil minister, Mr Don Ehiab, and his counterparts from Benin, Togo and Ghana have signed an agreement in principle for Nigeria to supply natural gas to the three West African countries and possibly Cote d'Ivoire. The agreement would come into effect after the completion of a pipeline and other facilities in 1998. The project developer, as yet unnamed, will be responsible for raising \$600m to finance the scheme. Chevron, the producer of the gas, MAN the German power group, and US investors expect to form a consortium for the project. According to a World Bank study, carried out by Italian consultants Bain, Cuneo Associates in 1992, the project could reduce primary energy costs in the region by \$500m over 20 years. The potential demand from neighbouring states for Nigerian gas is expected to rise from 50m cu ft per day in 1996 to 180 mcf in 2015 thanks to expanding power generation. The supply will be from Chevron's West Delta field near the Escravos terminal in mid-western Nigeria. *Paul Adams, Lagos*

Space shots for Woomera

Australia and Germany yesterday signed an agreement to allow a German-Japanese experimental space capsule to land at Woomera, South Australia, this month. It is the first agreement for a non-military launch in another country, in this case Japan, and recovery of the capsule in another in the 1980s and 1970s, the Woomera rocket range was a significant base for UK and European launch activity, and at one stage Australia could boast it was only the third nation from whose territory a satellite had been launched. Yesterday, officials said they hoped the latest agreement would reinforce Australia's credentials and encourage the re-use of Woomera as an international space facility. Another project was already under consideration, but no details were given. The German-Japanese capsule will be launched from the Kagoshima Space Centre on January 15 and, after orbiting the earth, should land at Woomera on January 21. *Nikki Tsai, Sydney*

Taiwan hint on China shipping

Taiwan's vice-premier Hsu Li-teh has given Taiwan's highest-level and clearest endorsement of a plan to allow direct shipping from the island to China, challenging a decades-old ban. Mr Hsu, who is also head of the nation's top economic planning body, said the southern port of Kaohsiung should be designated an "offshore" shipping centre from which ships should be allowed to sail directly to China. Taiwan has banned all direct links with China since 1949. All legal trade, investment, post and other traffic between the two now goes through such third territories as Hong Kong. *Reuters, Taipei*

Pope's visit boost for peace

The plan for a two-day visit by Pope John Paul II to Colombo later this month helped seal this week's ceasefire agreement between the Sri Lankan government and the Tamil separatist rebels, officials said in Colombo yesterday. More than 10,000 families from the northern Jaffna Peninsula plan to travel to Colombo to see the Pope when he arrives on January 30. Under the agreement, details of which will be given to parliament tomorrow by President Chandrika Kumaratunga, no armed action will be taken by either side from mid-January. *Mervyn de Silva, Colombo*



Anti-government protesters march through Dhaka streets during yesterday's general strike

Dhaka opposition tightens screws

Richard Galpin on the growing protests against the Bangladeshi government

Opposition leaders in Bangladesh announced a further programme of action yesterday aimed at forcing the government to resign and hold early general elections.

Later this month there will be a blockade of all road, rail and river transport throughout the country as well as a series of demonstrations and a mass rally in the capital, Dhaka.

The announcement was made at rallies in the capital held at the end of three days of general strikes which caused serious disruption in the city. Most businesses and shops have been closed for eight hours every day since Monday and the Dhaka Stock Exchange has not opened for business at all.

At a rally of the main opposition party, the Awami League, Mr Zillur Rahman, the party's general secretary, made a direct appeal to the president to dissolve parliament and call elections under a neutral caretaker administration. If its demands are not met, the opposition has threatened to intensify its campaign with more general strikes likely to be announced.

This week's disruption has coincided with a

visit to the country by Mr Douglas Hurd, the British foreign secretary. Speaking to reporters in Dhaka, Mr Hurd warned that if the political crisis continued it would have a particularly harmful effect on investor confidence.

"There is undoubtedly a link between political stability and investment," Mr Hurd said. "Friends and potential investors are anxious to see a political solution so that economic reform can continue."

But Mr Hurd said he believed the differences between the government and opposition were not great. He also emphasised how impressed he had been by the turn-around in the Bangladesh economy in recent years. Economic growth reached 5 per cent in the year to June, the government deficit has been slashed, savings have increased and the current account deficit is now just 2 per cent of GDP.

But the political crisis threatens to undermine all this. It began last March when the main opposition parties started boycotting parliament in support of a demand for a neutral caretaker administration to supervise the next general

elections. Opposition leaders accuse the government of rigging a number of by-elections since it came to power in 1991 and argue that it must step down before the next general elections to ensure voting is free and fair.

Despite strikes, transport blockades and other demonstrations last year the government refused to give in to the demands, saying they were undemocratic, unconstitutional and unprecedented.

Even the mediation of a special envoy from the Commonwealth last October failed to secure agreement. As a result, when an ultimatum to the government expired last week, almost all the opposition MPs resigned from parliament.

Since the resignations the opposition parties have changed their demands, saying they now want the government to resign immediately and hold elections within the next few months.

So far the government has given little indication of what it intends to do, other than to say there is still time for a negotiated settlement to be found. But time is now short and without a settlement there are fears of serious confrontation on the streets.

Rao commits his government to economic reform

By Alexander Nicol in Calcutta

Mr P V Narasimha Rao, India's prime minister, yesterday committed his government to pursuit of economic reform, despite recent electoral reverses which have brought calls from within his party for a more populist approach.

Mr Narasimha Rao told the centenary conference of the Confederation of Indian Industry in Calcutta: "We are firmly committed to our reform programme and shall move forward with confidence."

The prime minister sought to re-define the direction of reforms in his first significant speech since defeats in state elections in early December and subsequent resignations from his cabinet brought a crisis at the top of the ruling Congress party.

He gave no indication of further measures to open the economy, but firmly rejected charges that reforms were against the interests of the poor and that the country was being sold off to foreigners.

In an apparent attempt to

silence party critics loosely grouping themselves around Mrs Sonia Gandhi, widow of Mr Rajiv Gandhi, though she has given no indication that she wishes to enter politics, Mr Rao said reforms had been initiated by Mr Gandhi and had been accelerated by the financial crisis of 1991. "The reforms were based on the gains of the earlier policy," he added.

The scale of foreign investment was encouraging but "takes us nowhere near fulfilment of our requirements".

Some 80 per cent of foreign proposals were in infrastructure projects which had a long gestation period. "Once these come on stream, the tangible benefits of increased production and employment will be there for all to see."

It was not the case that foreign investors were only interested in getting into India's consumer goods market. "A few high-visibility cases can cause a misleading impression."

The prime minister said reforms had to have a human

face and promised he would continue to introduce measures "designed to reach those sections of society that receive the benefits [of reform] with a time lag".

But he rejected palliatives intended to reduce the problems of the poor, since these would ultimately only aggravate the problems.

Mr Rao admitted the government had not done enough to get the reform message across. "There has to be a huge, intensive and continuous campaign of educating the masses of the

people in their own idiom, so as to remove the myths in perceptions which so often causes upheavals."

The progress of reforms thus far was due to their wide acceptance. "Yesterday's opponents have become today's protectors."

On the platform with him was Mr Jyoti Basu, communist chief minister of West Bengal, of which Calcutta is the capital. West Bengal is winning wide praise for its embrace of reform and efficient handling of new investment projects.

Indian textile and clothing deals welcomed

Shiraz Sidhva and Nancy Dunne on accords with the US and EU under which Delhi will ease tariffs and gain greater market access

Trade officials yesterday welcomed two agreements between the US, the European Union and India which will open the Indian market to foreign textiles and clothing.

Mr Mickey Kantor, the US trade representative, said the deal represented "a very positive step" in improving US-Indian trade relations. India is the last textile exporting signatory to the General Agreement on Tariffs and Trade to agree to open its own markets.

"This agreement means that our textile trade can take place on a fair, stable and more long-lasting basis," Mr Kantor said. The agreements, signed separately in Washington and Brussels, will give India greater market access to the US and EU, which together account for more than half India's textile and apparel exports. In return, India has agreed to a phased dismantling of its tariffs and import restrictions.

Mr G Venkat Swamy, India's minister of state for textiles, said textile and clothing exports, worth Rs211.87bn to March 1994, were likely to increase by at least Rs100bn over the next three years.

India will reduce tariffs by 65 per cent on the fabrics listed in the agreement by January 1

1996 and remove quantitative restrictions on more fabrics and made-ups from the beginning of 1996, according to Mr T.S.R. Subramanian, a Textiles Ministry official.

Importers will no longer need special permission to import the fabrics listed, he said, but clothing was not covered by the agreement, and would be freed from restrictions only in 2002.

However, India said that the two agreements contained a "safeguard clause" under which tariffs would return to January 1 1990 levels if the integration process planned under the Uruguay Round world trade agreement "does not materialise in full" or is delayed.

US producers have been split over the effects of trade liberalisation, but the American Textile and Manufacturers Institute is backing the deal, which it says gives producers of home furnishings, industrial and apparel fabrics and yarns access to a new market of some 300m well-off customers.

"The Indian market, which is larger in total than the US market, offers our industry the opportunity to increase exports significantly thereby offsetting some of the adverse impact of increased imports as US textile

Bombay Budweiser

Anheuser-Busch of St Louis, US, brewers of Budweiser, the world's largest-selling beer, have formed a partnership with the Bombay-based Shaw Wallace, giving the Indian company rights to license, brew, package, market and distribute the Budweiser brand across the country. Shiraz Sidhva writes from New Delhi. The launch is scheduled for later this year before the peak summer season.

Budweiser will be competing with international brands including Heineken, Holsten and Carlsberg, all poised to enter the Indian market.

and apparel quotas are liberalised," the ATMI said.

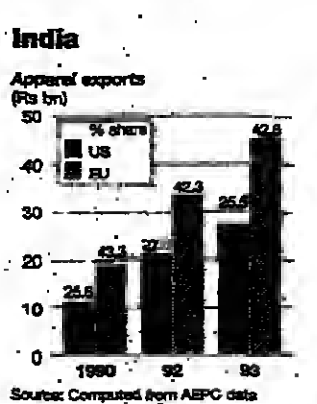
The US and EU have freed handloom products and cotton made-ups (such as bed and table linen) from quota restrictions. The EU has done the same for cottage industry products.

For the mill owners' plight during this restructuring, but the decline in handloom and hand woven products has been a highly emotive issue.

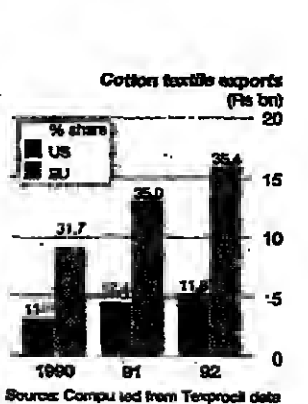
There are more than 3m handloom households in India, earning less than \$25 a month, and handloom weavers have been reported to be starving in some regions. The government is optimistic that the new agreements will help generate employment in these labour-intensive sectors.

Indian mill owners have criticised the government for protecting only the interests of the handloom sector, and are annoyed that the easing of clothing quotas has been restricted to certain types of producers. They argue that the benefits from the agreements have been denied in those areas with the greatest potential for increased volume and added value.

Exporters also question the raising of quotas as a means of boosting the country's textile industry. India's quota utilisation in some categories has dropped to 55.6 per cent in 1994 from 89.4 per cent in the previous year, according to a recent report submitted to the Textiles Ministry by the Delhi-based Garment Exporters' Association.



Source: Computed from APEC data



Source: Computed from Textopol data

The association has urged an end to the minimum price system, which, it believes, has been far more damaging to textile exports than quotas. Minimum prices have made many Indian goods, especially casual wear and children's clothing, less competitive on the international market.

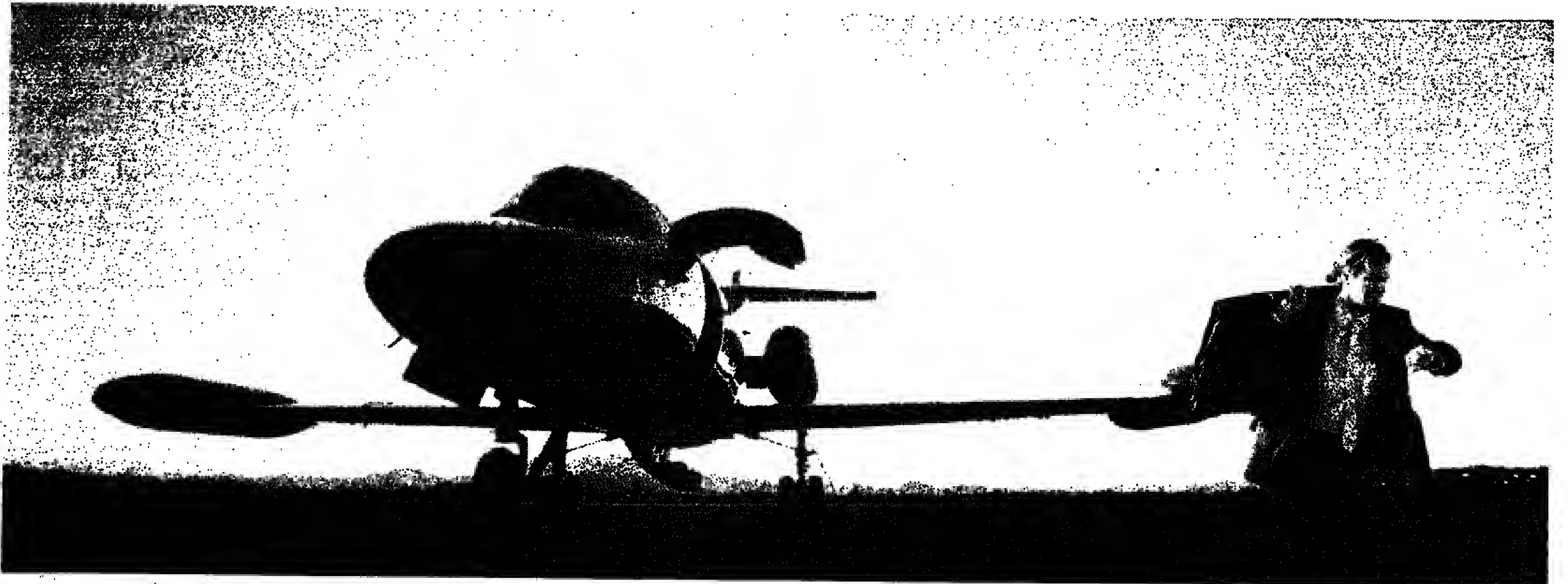
The US had been particularly concerned that the concessions might result in a flood of Indian goods in its markets.

India's agreements with the EU and US followed India's move to amend its protectionist Patents Act to permit multinational corporations to apply for patents on products in the agricultural, chemical and pharmaceutical sectors. India's previous law allowed patents only on processes rather than on products in these sectors. India was required to amend

its patent laws in order to join the World Trade Organisation, the successor to Gatt, which began operating at the turn of the year.

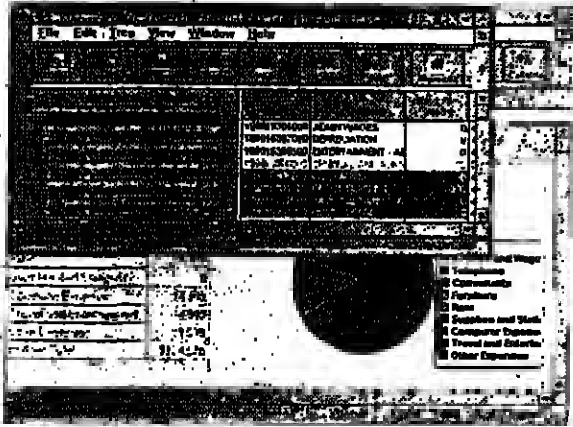
India and the US have also resolved last year's controversy over the export of traditional Indian skirts made of rayon, which the US banned for over a month after a consumer protection group termed them "dangerously flammable".

The Indian government late last year said it had established a testing and certification programme to ensure that all rayon chiffon skirts exported to the US complied with US flammability standards. India exported more than Rs1bn worth of the skirts to the US last year. *Dreams behind the scenes, Page 11*



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NEWS: UK

US, Swedish and Australian groups make one of world's most lucrative markets even tougher

Cost of transatlantic calls will fall further

By Alan Cane

The cost of telephone calls to North America seems set to fall regularly for the foreseeable future. Business and residential customers will benefit as telecommunications operators vie for a larger share of one of the world's busiest and most lucrative routes.

Mr David Hardwicke, UK chief executive of IBD WorldCom, said average prices had fallen by one third in the past three years and he expected a further one third decline in the next three.

Mr Kevin Langford, telecoms ana-

lyst with Flemings Research in London, said: "The large profits being made by operators on this route leaves a lot of potential for price cutting."

Mercury Communications, the UK's second-largest carrier, began the latest round of price cutting just before the new year, and British Telecommunications soon responded. Mercury, owned by Cable & Wireless of the UK and Bell Canada, said yesterday its prices would soon be reviewed.

The battle for market share in a critical route is clearly heating up. Calls to the US represent more than

20 per cent of the 38m minutes a year of outgoing calls from the UK. Calls to the UK represent 7.3 per cent of the 70m minutes of calls which go out every year from the US.

There was no surprise among analysts that BT should have chosen to cut transatlantic prices to help to offset its announced increases in UK line rental charges. BT and Mercury may have the biggest share of the west-bound transatlantic business between the two, but there is no shortage of competition. They are only the largest of many companies with licences to offer transatlantic telephone services from

the UK. Others include IDB WorldCom, US Sprint, ACC, Esprit, MFS and Colt. Among the newcomers are Tella UK, a subsidiary of the Swedish state-owned telecommunications group, and Telstra of Australia. In total, however, these companies have less than 10 per cent of the market.

The most significant new entrant will be American Telephone and Telegraph, the largest US carrier, which won a full UK operator's licence last month. AT&T has announced a joint venture with Unisource, a consortium of European telecoms operators designed to offer sophisticated ser-

vices to multinational groups in Europe.

The effect of competition from these "resellers" - some of whom are charging less than half BT's rates - has been to bring prices down sharply on the east-west transatlantic route. Mr Michael Hepper, BT group managing director, said his company's customers get a better deal than the Americans on transatlantic calls. When BT's latest price cuts take effect, he said, its customers would be able to make daytime calls to the US for less than half the price of calls made in the other direction.

Ruling may speed Polly Peck payments

By Jim Kelly, Accountancy Correspondent

A High Court ruling has paved the way for creditors of Polly Peck International, part of the collapsed business empire of fugitive businessman Mr Asil Nadir, to get an interim payment of 1.5p in the pound (1.5 per cent) by the end of June this year.

The administrators of PPI yesterday announced a series of developments in their long-running efforts to secure the assets from the group, which collapsed in 1990 with debts of more than £1bn.

"Things are now moving at a rapid pace and we can see light at the end of the tunnel," said Mr Christopher Barlow, the lead administrator and a partner in accountants Coopers & Lybrand.

The High Court has ruled that the administrators can begin to pay creditors through a scheme of arrangement if they secure majority agreement of creditors, or 75 per cent agreement by creditor value.

This will be the first formal step in the process of distributing funds.

Yesterday's announcement follows the signing of an agreement with the creditors of PPI Holdings BV, a Dutch company, which will allow an initial \$55m to flow to PPI. Funds routed through the holding company include proceeds from the sale of the Del Monte fruit company.

The deal puts in place an agreed formula for the distribution of future assets realised from the Polly Peck Group and should mean that they will flow relatively smoothly to the creditors of PPI.

Mr Barlow said progress had also been made in securing the assets of the PPI group in Turkey. A local administrator had been appointed to control the assets but this order had now been overturned.

"This is a significant step forward in Turkey and we are pleased that the Turkish courts have agreed with us that the appointment of a curator was not appropriate," said Mr Barlow.

Assets in Turkey include Vestel, an electronics company, and Meyna, a fruit packaging business. He added that negotiations were currently under way with two potential buyers of the assets of the group in the breakaway republic of northern Cyprus.

Sacked bus drivers launch free service

By Andrew Bolger, Employment Correspondent

Bus drivers sacked for going on strike have set up a free minibus service at Chelmsford, 50km north-east of London, in competition with their employer.

The 103 drivers were dismissed in November by Eastern National, a subsidiary of bus operator Badgerline after they took industrial action over working hours.

In addition to picketing, their union, the TGWU general union, once the largest in Britain and one of the most powerful, has been running two free buses for the past two weeks. The keys to another bus were handed over to the drivers yesterday by Mr Bill Morris, the union's general secretary.

Unions have been looking for ways to pursue industrial disputes that do not inconvenience the public. Eastern National quickly recruited substitute drivers to replace the sacked workers and said its services were now practically back to normal. Its Chelmsford depot runs 80 buses.

Mr Graeme Varley, Badgerline's managing director, said: "The union's service has been pretty peripheral - it is obviously being done on a propaganda basis."

The TGWU is considering operating up to six free vehicles. It said its service was more than a gesture, and would operate for the foreseeable future.

When the company advertised the vacancies caused by the dismissals, it received more than 400 applications. Mr Morris met Eastern National managers at Chelmsford yesterday, but they refused to reinstate the strikers.

The union said its buses were fully insured for passengers. Because they are minibuses and no fares are being charged, no operator's licence was required.

Badgerline, floated on the stock market in 1993, is one of a small group of companies which has been rapidly consolidating the UK's fragmented bus industry.

Now Britain's second largest bus operator, it started as a buy-out in 1986 as part of the government's privatisation programme.



Drivers sacked last November operating their rival service yesterday

MPs urge minister to quit over prison scandals

By Kevin Brown, Political Correspondent, and Alan Pike

Opposition MPs yesterday demanded the resignation of Mr Michael Howard, the home secretary, in the wake of two nights of rioting at Her Majesty's Prison, the escape of three dangerous prisoners from Parkhurst on the Isle of Wight.

Mr Jack Straw, the Labour party's shadow home secretary, said Mr Howard's job was "on the line" following last year's breakdown by members of the Irish Republican Army from Whitehouse high security prison in central England, where police also discovered a hoard of Semtex explosive.

Mr Straw said there was "mounting evidence that Mr Howard's agenda for privatising the prison service, to enable some companies to make money out of incarcerating prisoners, was leading to a most significant diversion of management time."

He also claimed that the government's decision to establish the prison service as an independent agency had caused "huge confusion" over responsibility for operational control of security at prisons. Mr

The governor of high-security Parkhurst jail was told that prisoners had a master key two days before three dangerous inmates used it to escape, warders said last night. They said they had told Mr John Marriott, the governor, they believed prisoners had a copy of the key, and that he failed to act.

The news emerged tonight, hours after the Prison Service admitted its own inefficiency was to blame for the escape of two murderers and an arsonist from the jail sometimes described as Britain's Alcatraz because of its island site off

Howard said he would resign if the problems at Her Majesty's Prison, the escape of three dangerous inmates used it to escape, warders said last night. They said they had told Mr John Marriott, the governor, they believed prisoners had a copy of the key, and that he failed to act.

in a further embarrassment for the prison service, Judge Stephen Tummim, the Inspector of Prisons, said he had warned of "serious security defects on a broad front" at Parkhurst

the south coast of England and its high-risk inmates.

News that a key was used added to the embarrassment of the service, which promised to step up security at the prison after failure to "follow basic security procedures". The three escapees had up to two hours or more to get away after letting themselves out of a gymnasium, unhooking a ladder. 200 police continued a land, sea and air search around the island last night. Fears grew that the men may have boarded a ferry to the mainland.

Last year, Judge Tummim said that his comments were passed to Mr Derek Lewis, director of the prison service, who said something would be done right away. "I assume some action was taken but it has not been effective," the judge said.

Mr Lewis said that Judge Tummim's note suggested that the main trouble was inadequate searching and that his recommendations on that had been implemented.

The Prison Officers' Association said competition from the private sector had triggered a "crisis" in the prison service.

Inflight satellite information link for BA aircraft

By Paul Taylor

Airline passengers will soon be able to shop from an electronic catalogue, make flight and hotel reservations and retrieve financial information without leaving their seats - by using satellite communications technology.

The system, which will be installed early this year in British Airways and Singapore Airlines aircraft, has been developed by Racal/Honeywell in partnership with BT and highlights the growth of the world market for airborne digital communications.

From a passenger cabin seat information is transmitted to the ground via Inmarsat's satellites using Racal/Honeywell's Satcom equipment and BT's airline interactive services processing centre.

The new inflight services system represents the first application of the next generation Data-3 - an Inmarsat X-25 standard for the support of high speed packet-switched data services.

In addition to passenger interactive services, Data-3

technology will permit the introduction of sophisticated new satellite navigations and air traffic management systems including automatic dependent surveillance (ADS) systems in which a stream of data is fed back automatically from the aircraft to the air traffic controllers on the ground.

Using ADS systems computer automatically would allow aircraft to fly closer together while maintaining safety standards and could lead to airline savings in terms of fuel and other costs.

British Airways and the Civil Aviation Authority in the UK and Air France and the French air-traffic control organisation, Service Technique de la Navigation Aérienne, have been testing for the past 18 months a prototype ADS unit developed by Racal.

The Franco-British trials are to be extended to 10 other aircraft this summer.

Eventually Racal believes Data-3 technology it will put it in a strong position to bid for contracts for the next generation of "gate-to-gate" flight management systems.

UK NEWS DIGEST

Airlines insist court battle will proceed in US

Mr Richard Branson's Virgin Atlantic airline and its rival British Airways insisted yesterday their legal battle over the so-called "dirty tricks" affair would go ahead in the US, with BA promising to "meet Mr Branson in court". The insistence by both airlines that it was too late for an out-of-court settlement followed Tuesday's US court ruling granting Virgin Atlantic permission to proceed with a \$1bn anti-trust suit against BA.

The suit alleges that BA used its monopoly power at London's airports to try to squeeze out Virgin on transatlantic routes. It was launched in 1993 after attempts to reach a compensation agreement between the two sides broke down. Virgin has demanded minimum damages of \$325m, but US courts have the power to treble that.

Tuesday's ruling did, however, grant BA's motion to dismiss five of Virgin's eight original claims, including a challenge to BA's investment in USAir. The ruling aroused speculation that BA would resume attempts to reach an out-of-court settlement. But Virgin said yesterday it had heard nothing from BA.

Duke to visit Dresden

The Duke of Kent is to visit Germany to mark the 50th anniversary of the destruction of Dresden by RAF and USAF bombers in 1945. A firestorm in the raid killed between 30,000 and 60,000 civilians. The theme of the visit from February 12 to 14 will be "reconciliation with a view to co-operation and partnership", said a spokesman for the duke, who is a patron of the Anglo-German Association.

The duke is visiting the German city at the invitation of the Mayor of Dresden. He will be accompanied by the bishop of Coventry, an English city heavily bombed during the Second World War. The duke - whose father was killed in a plane crash while on active service in 1942 - will present plans for a cross to be placed on a new church replacing one destroyed in the bombing. PA News

Reserves rise by \$62m

Britain's underlying gold and currency reserves rose by \$62m in December, the Treasury said. The rise was higher than forecast, with most analysts expecting no increase in underlying reserves. But the overall level, which includes more erratic elements such as tenders, fell back slightly. By the end of December, the overall level of UK official reserves was \$43.3bn, down from \$44bn at the end of November.

This overall total included a December tender of Ecu treasury bills worth \$1.1bn, and the maturing of Ecu treasury bills worth \$1.1bn. There was also \$22m of repayments of borrowing under the public-sector exchange cover scheme, with British Nuclear Fuels repaying \$6m. The overall total was also affected by long-term capital repayments of \$144m. Gillian Tett, Economics Staff

Plea over livestock exports

Port authorities at Shoreham on the south coast of England, scene of violent protests by animal rights activists, appealed to the government to provide better police protection or ban the trade in live animals. Mr Philip Lacey, port manager, said: "It is quite wrong for us to be caught in the middle of all this. The only circumstance in which a port can decline any legal trade is if the port's facilities are already fully used."

Violence flared outside the port on Tuesday night as hundreds of demonstrators blocked trucks trying to transport calves and sheep to mainland Europe. Compassion in World Farming, one of the organisers, said it was appalled at the violent protests by "a tiny minority" of extremists. Alison Matland, Farming Staff

Windsor oil test passes hurdle

A committee of Berkshire County Council gave temporary planning permission for exploratory drilling for oil and gas near Windsor Castle, one of the Queen's residences. The scheme, by Canuk Exploration, involves a borehole 300m to 400m deep in Windsor Home Park, 600m south-east of the castle. Councillors voted after a stormy debate to allow drilling over eight weeks.

Mr John Maisie, a councillor who represents the Royal Borough of Windsor and Maidenhead, said there had been letters from Japan, the US, Canada, Brazil and Israel protesting at the effect of drilling. "The castle and Home Park must surely be at the very heart of our national heritage with over 4m people visiting it." There were cries of "shame on you" from a number of councillors as the application was approved with a show of hands. PA News

'Good causes' seek cash

Requests from good causes for National Lottery money topped the £1bn mark yesterday - the first day administrators were accepting formal applications. There is £96.5m available for the lottery's five good causes of the arts, sport, heritage, charities and the Millennium Fund. More than 50 applications were delivered to the Arts Council, the Sports Council, the National Heritage Memorial Fund, and the Millennium Fund. The National Lotteries Charities Board will not be open for business until later in the year.

Bidder for hospital is named

A Middle East consortium is the "preferred bidder" for the troubled Health Care International Hospital in Scotland, staff were told. The consortium, led by the Abu Dhabi Investment Company, has agreed a price and the main conditions of sale with the receivers.

Bankers called in the receivers in November only a few months after the hospital was officially opened. It failed to fill its 240 beds, 71 operating theatres and nearby hotel. Opposition politicians attacked the project, which received £40m in public money, as a white elephant. PA News

PLAYER BANNED: Former Great Britain rugby winger Barry Ledger was yesterday suspended from playing for six months after being tested positively for cannabis. The ban followed the results of tests made last November. The Rugby League Board said it was "determined to reinforce rugby league's image as a drugs-free sport".

IDENTITY CARDS FAVOURABLE: Most businesses favour identity cards as a way of combating credit card and other fraud, a British Chambers of Commerce survey indicates. UK citizens are not required to carry identity cards unless they leave the country. The survey, based on a nationwide sample of chambers and other professional associations representing nearly 44,000 businesses, showed that 98 per cent favoured a national identification system.

POLICE FACE CHARGES: A record 400 motorists including at least six police officers will face Christmas drink-drive charges in Northern Ireland. Chief Superintendent Eugene Kearney, head of the Royal Ulster Constabulary traffic branch, said: "It's inevitable that in a campaign of this scale some police officers will be tested. If found over the limit they will face the full consequences."

SUNDAY OPENING: Theatres in London's West End owned by Mayfair Theatres and Cinemas are to open regularly on Sundays from March after a deal between the company and the technicians' trade union Bectu. Equity, the actors' union, said: "If this improves the prospects of theatres, we would be in favour of it. But the package has got to be right - we would expect a substantial payment for members working on a Sunday."

Newcomers to jobs market 'lack business sense'

Graduate skills criticised

By Lisa Wood, Labour Staff

Employers seeking to recruit more graduates as the recession lifts are being inundated by applicants. But they say too few are of the right calibre.

Too many graduates lack general communication skills, business sense and the ability to work in a team, say employers surveyed by the Association of Graduate Recruiters, which represents most of the biggest companies recruiting graduates in the UK. Engineering and science-based compa-

nies said there were not enough graduates with the skills needed to walk straight into a job.

The annual survey by the AGE said overall 10,204 graduates were recruited in 1994 by its members, 2.3 per cent more than in 1993.

However, at a time of substantial expansion in graduate numbers, the percentage of organisations reporting a shortfall in recruitment had increased in 1994, the first such movement in four years. Twenty per cent of organisa-

tions reported a shortfall compared with 13 per cent in 1993.

Ms Kate Orbi Gann, AGE chairman and recruitment manager at Marks and Spencer, said: "Employers receive 100 or more applications for each vacancy but they are still having some trouble finding the right graduate for the job."

Bass, the leisure group, said it had received more than 3,000 applications for its 1995 graduate intake of up to 50 jobs. "The proportion of applicants of the quality that we are looking for is slight," Bass said.

Tax concession will aid Channel tunnel terminals

By Jim Kelly

Development around the Channel tunnel rail freight terminals received a tax boost yesterday from a measure included in the Finance Bill.

Industrial building allowances currently applied to warehouses which store or hold goods brought in by sea or air are to be extended to all forms of transportation.

In the past the allowances have stimulated warehouse construction at ports and airports. The extension of the allowance was welcomed as a boost to the development of the Channel tunnel's freight business.

Mr David Baker of Baker Ross, the consultants advising on the Doncaster International Railport in northern England and the Daventry International Railfreight Terminal in the Midlands, said: "This is very good news and will have a significant impact in terms of the tax benefits. This will be an additional incentive for putting warehousing at the prime nodal points." He added that Moss End, Glasgow, could also benefit.

Mr Mike Roper, a director of Abbot Estates which is devel-

oping the Daventry terminal, said: "This is obviously quite encouraging, although I would like to see the small print."

Mr Roper said a 350-acre site was being developed at Daventry, off the West Coast main line from London to Scotland, and 4m sq ft of warehousing was planned. Mr François

Lacloux, managing director of CTI, the Channel tunnel freight train operator, said: "This will help any new investor who wants to build warehousing and gain access to the network."

He said the measure could help the development of warehousing at the terminals, which are at various stages of construction, in Liverpool, Birmingham, Manchester, Glasgow and London.

The Inland Revenue said the clause had been placed in the Finance Bill in order to update legislation with the introduction of rail imports. "If we had not done this we could have been accused of discriminating against railways. As a result a warehouse at a terminal can have the same allowances as those extended when goods are flown in."

Trains carrying cars and passengers through the Channel tunnel between England and France have begun to operate 24 hours a day. Departures every two hours between 2300 and 700 (London time) have been added to the hourly services between 700 and 2300. There are now 40 car shuttle departures a day compared with 26 a day in 1994.

Rail sell-off suffers setback

British Rail is to delay the sale of its loss-making Freightliner subsidiary for a further six to 12 months, our Transport Correspondent writes.

Freightliner is to be hived off into a separate company with its own terminals, locomotives, road vehicles and depots to allow its management to restructure the business and reduce losses. These amounted to £38m last year on sales of £78m.

BR's announcement came as a blow to the three companies

which are bidding for the business and to a group of international shipping lines which has been lobbying for a rapid decision. It was also a blow to government plans to privatise the national rail network controlled by BR.

"It is very disappointing," said Mr Keith Duggan, director of transport at Hapag-Lloyd, a German company. "We have already had to make plans for 1995 which were more road-oriented than we wanted. Now we face the prospect of having

to do the same for 1996." Freightliner, which moves containers from ports to inland terminals, was to have been the first train subsidiary of BR to be sold off. It may now be delayed until after the sale of the first six passenger train operating franchises due the second half of 1996.

"Some further rationalisation of Freightliner is needed because the hopelessly uneconomic bits of the business were dragging down the value of the whole," a BR spokesman said.

Andrew Baxter looks at how small companies can take advantage of rapid prototyping

A mould breaker



Head start: rapid prototyping can produce models of human skulls for clinical study

Gordon Styles had a pleasant surprise when he visited a UK toy company to gauge the potential of rapid prototyping (RP), the process which drastically cuts the time to produce a prototype from a computer-aided design (CAD).

Late in 1993 Styles was thinking of setting up an RP bureau, which would receive CAD files from customers in industry and turn them into prototypes of components. "I had an order from the company within half an hour," he says, "and I had not even bought the RP machine. I had to subcontract the work to a Taiwanese bureau." The episode helped convince Styles, 30-year-old managing director of Styles Precision Components, to open an RP bureau at his Teesside engineering company.

He hopes to exploit the growing interest among UK and continental European manufacturers for a relatively new process which has shown it can play an important part in reducing product development times.

Across Europe, there are a small number of big manufacturing companies with their own RP machines, which cost £250,000-£500,000 each. At Whirlpool Italia's cooker plant at Cassinetta in northern Italy, for example, an RP machine helps produce cast iron versions of burner grids in a week - some weeks less than it would have taken with traditional model-making methods.

Even big companies are using RP bureaux if they have run out of internal capacity on their own machines. For smaller and medium-sized manufacturers, which would be unable to justify buying their own RP machines, the bureaux are ideal.

The first to establish a reputation was Gloucester-based Formation Engineering Services, and in April 1993 IMI, the big engineering group, opened a bureau on its main site at Witton in Birmingham.

"RP was new, and we identified it as having a lot of potential," says Tony Macis, sales engineer at the IMI bureau. "From day one, the bulk of our business came from outside customers, in the automotive, mechanical and electronics industries and more recently from general engineering too."

RP is a generic term for half a dozen different emerging technologies, but all three of the bureaux use the so far dominant "stereolithography" process, produced by US-based 3D Systems.

This converts a 3D (CAD) file into an STL (for stereolithography) file - in which the image of the part is broken down into hundreds of electronic "slices". (If necessary, bureaux will also convert two-dimensional CAD files into 3D images.) The next stage involves rebuilding

the component slice by slice. Each is redrawn by tracking a low power ultraviolet laser across a small bath of photoreactive resin, instantly turning the areas of contact into a solid plastic. The finished slice is lowered slightly into the bath and the next one drawn on top.

It can take a few hours for a small component, or three to four days for a large one. After further processing, the part could then be delivered to the client, but bureaux such as Styles and IMI prefer to use it as the master model for running off about 20 copies for the customer in a few days, using the traditional elbow grease and new processes such as vacuum casting to add surface texture.

Alternatively, some resin prototypes can be used as the start of a process known as investment casting, which can produce a metal component.

The overall process can cut weeks or even months off traditional model-making, but the combination of old and new methods means that RP should be seen more as an opportunity than a threat for model-makers, says Styles.

The episode with the toy company provided a good lesson, he says. "The Taiwanese had delivered the part before we had half the quotes back, and the range of prices was huge. We realised we had to be as keen as the Taiwanese bureau." But not everyone was as ready to accept RP as the toymaker. Styles

has spent much of the past year convincing manufacturers who were dubious about the accuracy and cost of the process, and worried about possible health risks from the resin and the strength of the finished models.

Some of the problems with RP were real enough a year or two ago, but have now been addressed, he says. New epoxy resins, introduced over the past year, are replacing the older, more brittle resins, doubling the tensile strength of the prototype although it takes a little longer to build.

Also, the latest CAD systems have the capacity to produce much more accurate STL files. Each "slice" is drawn as a pattern of triangles, and accuracy is increased as the size of the triangles is reduced. If the triangles are too large, supposedly round holes in models emerge as polygonal.

Styles is concentrating on prototypes for thin-walled, highly-accurate and complex components produced by the plastic injection moulding industry. This is where his 3D Systems machine works best, he says. "It is too slow to build large hook-type parts, the forte of a different RP system called laminated object manufacturing (LOM)."

Styles' RP machine has been running for about a year, producing everything from parts of mobile telephones to models of human skulls for clinical study. A similar range, for a wide variety of customers, has been produced at the IMI bureau.

The recent upturn in activity in the engineering sector has been a useful bonus for the RP bureaux. As demand rises, careful planning is needed to make the most of the machine's capacity. "Our's is running 24 hours a day, seven days a week," says Macis.

Both bureaux are pinning their hopes on benefiting from long-term trends in manufacturing. As big manufacturers push out detailed component design work to sub-contractors to save time, small companies will be encouraged to use the bureaux.

Expansion is in the air at both companies. Styles plans to move a few hundred yards to a bigger factory unit at Thornaby later this year, when it may have to buy a second RP machine.

IMI wants to expand the "downstream" finishing and casting side of the business, enabling it to develop into rapid tooling, widely seen as the most important future development from RP.

This involves creating a few hundred or even a few thousand parts that could be used by manufacturers as tooling for a production run. Rapid manufacturing - creating a small batch of real products - is another possibility for the bureaux.

Victoria Griffith looks at a computer network's security system that has never been broken

Hacking bandits meet their match

Kerberos, the security component of the Massachusetts Institute of Technology's computer network, is an object of envy for many corporations concerned about cybernetic privacy.

While much of the computer world lives in fear of hacking bandits intent on stealing information and confusing systems, MIT is understandably smug about its campus system, the security of which has never been broken.

Kerberos was launched in the late 1980s as part of Project Athena, a collaboration between the university, Digital Equipment Corporation and International Business Machines.

Despite the attempts of some of the most ingenious hackers in the world - MIT's student population - the system's protocols have yet to fail.

This impressive track record is attracting the attention of growing numbers of companies, whose executives trek through MIT's visitor centre almost daily to see how the protocols work.

Interest has heightened as companies increasingly switch from the mainframe-based system - by which various users connect to a single computer - to the client-server model, used by MIT, which connects users to various computers. This has led companies to try-and-true systems on which to base their networks.

The Kerberos model operates on a few simple but important rules. When users sit down at a computer, they turn on a machine which has almost no information stored on it.

"These are essentially stateless machines," says Janet Daly, information officer for the Computer Services Centre. "They have just enough information to boot up and send your name to Kerberos."

Probably the most important commandment of Kerberos is that "passwords must never travel across networks in the clear". The reason for this is simple. If passwords move through the system unshackled, network

savvydroppers can easily pick them up to gain access to the system.

When clients type their user name and password on to the screen, the password stays put. The name then travels to the Kerberos server, which sends a unique "ticket" containing an encrypted code to the user's station.

If the user is legitimate, the password decrypts the code at the station, and the session continues. Another encrypted message is then sent to a database, separate from the Kerberos server, and if all is well again, the user is allowed to proceed.

The process happens in seconds. Separating the Kerberos server, which authenticates users, from the network's other servers adds

But even the careful protocols of Kerberos do not guard against human error

security to the system.

"By having a separate Kerberos server, the number of people who have access to the security system is limited," says Jeffrey Schiller, who manages the network. "There is always the threat of an insider attack, but in our environment, only four people have access to Kerberos."

This password system does not solve all privacy problems, however.

Once communication between the user and the databases has been established, a hacker may listen to information flowing over the lines, even without knowing the user's password. If the information is sensitive or private, MIT's systems managers advise encrypting each separate piece of data as well.

Right now MIT's computer buffs are hard at work on a new version of Kerberos, to be unveiled next year.

The new generation of Kerberos will add flexibility to the system, allowing users to communicate

more rapidly with other campus systems.

By complicating the rules of the game further, the new system will have the advantage of being one step ahead of the hackers.

But even the careful protocols of Kerberos do not guard against the most common security failure: human error. "We can't prevent people from giving out their passwords to unauthorised users," says Daly.

Education is therefore an important component of any secure system.

Even if users do not give out their password, they may fall victim to bandits who successfully guess what the combination might be. In the past, hackers broke codes by trying obvious choices such as users' middle names, street address or social security number. These days, users have to be even more cautious.

"Dictionary programmes can be used to crack passwords by automatically trying every word in the English dictionary until you get a match," says Daly.

"So we advise people to choose a password that does not exist in the English language. Combining letters with numbers is a good idea. Something like Snuffy7 would be acceptable," she adds.

Selecting words in foreign languages can be dangerous too, since software may soon be available for non-English dictionaries as well.

To guard against these sorts of attacks, MIT has installed a system which records how many times a machine tries to get into Kerberos under an incorrect password. By spotting systematic searches ahead of time, they can catch perpetrators before they manage to break into the network.

With companies growing increasingly fearful of hackers, systems like Kerberos will continue to attract attention.

Although the system has never failed, there is no way of knowing if it will be foolproof in a corporate environment.

But as companies strive to protect their databases, many are willing to give seasoned systems a try.

PEOPLE

Foot down on Renault's pedal

Renault's "Papa" and "Nicole" ad campaign for its Clio model has been the linchpin of the French car maker's successful drive to restore Renault's popularity with UK motorists. More than 6 per cent of all new cars sold in the UK are now Renaults - nearly double the late 1980s level - and Roland Bouchara, Papa's and Nicole's new marketing chief, reckons there is more to come.

At 36, Bouchara (right), who has succeeded Gerard Saint-Martin as marketing director of Renault UK, is one of the youngest employees Renault has ever appointed at director level to one of its national sales companies. In keeping with its aims of lowering the age profile of its UK customers, Renault can hardly expect to keep its market share growing at the same rate as in the past couple of years - it is already



nearly level with the Volkswagen group as the UK's largest "traditional" importer.

Nevertheless, Bouchara maintains that a sales ceiling has yet to be reached and figures to be released at the end of this week are expected to show that Renault last year increased its UK sales by one fifth, in a total market that grew by only around 7 per

cent. Bouchara's aim is to keep up the momentum as long as possible, while consolidating the gains that have already been made.

With the next major new model, the Renault 18, not due in the UK for around a year, Bouchara, who comes to Renault's west London headquarters from a marketing role at the Ile de France regional office, will concentrate on developing customer and dealer relations as well as what he describes, somewhat enigmatically, as "creative marketing with a value-added element".

The wholly Renault-owned UK subsidiary has also appointed two other directors: Andrew Luck as services and quality director and Bob Giddens as director of the Swindon parts distribution centre. John Griffiths

Dowdy to retire from Royal Insurance

Royal Insurance announced yesterday that Michael Dowdy, group finance director, is to leave the company when his contract expires at the end of August.

Dowdy, 59, who joined the group nearly four years ago, has overseen a turnaround in Royal's profits from pre-tax losses of £37m in 1991 to a profit of £31m in the first nine months of 1994.

He explains that he had joined specifically to help Richard Gamble, Royal's chief executive, to revive the group's prospects; "I regard that job as substantially done," he says.

He has no firm ideas about where he might work next. Royal says it is seeking a successor for Dowdy, who is on a renewable one-year contract paying a salary of £175,000.

Deiter Losse, chief executive of brokers Greif Fester, has been appointed chairman of Linnet, the London insurance market's electronic network. His appointment comes at the start of a crucial year for Linnet which is overseeing the introduction of a new system for placing insurance risks at Lloyd's of London and other commercial insurance markets in the capital.

As part of its restructuring and modernisation plans, Lloyd's has said that from January 1 next year all risks underwritten at the insurance market must be recorded via the electronic placing system (EPS). So far volumes transacted have been relatively low but a second version of EPS is being introduced this month.

Losse, a prominent member of the Lloyd's Insurance Brokers' Committee, says many London market insurance policy claims were now handled via Linnet and that Lloyd's had eliminated paper for reinsurance transactions outside the market. "The benefits of electronic trading in improving the competitiveness of the whole London market cannot be overstated," he says. Ralph Atkins

Stephen Sumsion, John Wellesley and Brian Wilson have been appointed directors of BOWRING MARINE.

Brigadier for PIA members

David Cranston, a brigadier, has been appointed to run the member relations division of the Personal Investment Authority, the regulator for private investors.

He takes up the post in April, succeeding another ex-army officer, Kit Debenham, who retired in December. Cranston, 49, is currently deputy chief executive of the multinational airline division based in Germany, and has previously served as part of the EC monitoring mission in the former Yugoslavia.

The PIA said yesterday that his lack of experience in the

financial services sector would be a handicap; his task would be to ensure that the division's staff of 200-plus worked effectively and efficiently. Alison Smith

Sir Campbell Fraser, former president of the CBI, has retired as non-executive chairman of Arian. His departure, which came into effect on December 31, was announced last September after the electrical manufacturer and distributor returned to the black after years of loss-making.

At the end of 15 months of changes at the top, Greville Howard, 53, formerly managing director, has been appointed both chairman and chief executive, from which

perspective, he says, he will oversee recovery.

A firm believer in shareholder power, Howard joined the board in September 1993 when the investment company Fortress Trust, where he is chairman, took a 25 per cent stake in Arian. This was followed by a prolonged boardroom struggle and a restructuring which resulted in a string of resignations among incumbent directors who were gradually replaced by Howard's new management team.

Howard says an early priority is to change the company's articles of association so that any director's contract longer than six months must be approved by shareholders. James Whittington

Dissident takes the chair at Penna

Sir Andrew Hugh Smith, 63, the former chairman of the Stock Exchange, has taken over as chairman of Penna following a shareholder revolt at the tiny firm which specialises in finding jobs for out-of-work executives.

Sir Andrew is the best known member of a group of dissident shareholders, controlling around 26 per cent of the equity, who have ousted most of the board of Penna following dissatisfaction with its performance. The coup was organised by David Banks, 51, an ex-Chase Manhattan Banker, with the help of Peter Need-

ham, 70, and Peter Gardiner-Hill, 68, founders of GHN, which coaches executives on how to manage their careers.

GHN, named after Needham and Gardiner-Hill, was bought by Penna last June and is the smallest bit of Penna's business, which is dominated by the Sanders and Sidney outplacement side.

Banks, who says that his own career has benefited from GHN counselling, has taken over as finance director. Needham has replaced John Beard as chief executive and Gardiner-Hill remains an executive director. Deryck Sidney, 74,

one of the founders of the group, has resigned as chairman and Robert Olney and Claire Risby have also stepped down from the board.

Old Etonian Sir James Harvey-Watt, an accountant and chairman of Cannons sports club, has joined the board as a non-executive along with Daniel Owen, an entrepreneur.

Lord McGowan, 58, another Old Etonian who heads corporate finance at Panmure Gordon, has been appointed a non-executive director of BNB Resources, a firm of headhunters. Parry Rogers, 70, has retired. William Hall

CONTRACTS & TENDERS

PETROBRAS
INTERNATIONAL COMPETITIVE BIDDING NOTICE
BIDDING NOTICE N° 874-81-0030/94

PETROBRAS S.A. - PETROBRAS has received a loan in various currencies equivalent to US\$ 280 million from the WORLD BANK and intends to apply a portion of the proceeds of this loan to purchase material and equipment for the erection of one Hydro-treatment Process Unit at Presidente Bernardes Refinery, in Cubatão - SP - Brazil.

This Bidding will be performed under the rules of the WORLD BANK and its purpose is the Design and Engineering, Supply of Material and Equipment, Construction and Erection of one Air Compressor Station, with the following main characteristics:

- Three centrifugal compressors (C-513401 A/B/C) with a nominal capacity of 7,000 Nm³/h each, weather protected, two compressors driven by electric motor and one compressor driven by steam turbine.
- Two sets of instruments at dryers, alumina absorption type. Each set will have two dryers working in cycles; while one is in operation, the other remains in regeneration, automatically alternating. The drying system shall comply with the following conditions:
 - capacity: 7,000 Nm³/h;
 - relative humidity: 100%;
 - maximum dewpoint: -5°C at 8.0 Kg/cm² (manometric pressure);
 - operating pressure: 8.0 Kg/cm² (dry air, minimum manometric pressure);
 - instrument dry air pressure: 8.0 Kg/cm² (minimum manometric pressure);
 - hydrocarbon contamination: exempt;
 - input temperature: compatible with the compressor discharge; and
 - output temperature: 40°C (maximum).
- Instruments of the Compressed Air System, including the compressors and dryers, will be remote controlled by the Refinery Integrated Control Center (RICC), via the Digital Control System (DCS). The analog and digital signals from the Air Compressor Station (ACS) shall be available in the panels room of the Thermoelectric Station and its interconnection with the ICC is not comprised in the scope.
- A gas detection system for installation near the compressor section and, with transmitting transmission of alarms to the integrated control center (ICC) via the DCS.

DEADLINE FOR BIDS SUBMISSION: February 15th, 1995. Bids will be received until three (3) P.M.

ELIGIBLE BIDDERS AND ADDRESS:
Interested BIDDERS, from eligible countries, members of the WORLD BANK, and Taiwan, China who have designed and fabricated at least one (1) equipment, with the characteristics similar to the mentioned items, for which they intend to bid and comply with all other requirements set forth in the Bidding Documents may obtain this bidding by the submission of a bank deposit slip non-refundable fee of US\$ 500.00 (five hundred American dollars) to be made at Banco do Brasil S.A. Agência PETROBRAS-RIO (code 3180-1) current account n° 377-100-8 in the name of PETROBRAS/ADM. CENTRAL, or contact us at the following address:

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SERVIÇO DE MATERIAL - SERMAT
Av. República do Chile n° 85, 4º andar - sala n° 652
CEP: 20095-900 - Rio de Janeiro - RJ - BRAZIL
Phone: (55 21) 534-1731 or 534-1745
Fax: (55 21) 534-3837 or 534-3836
Attn: BIDDING N° 874-81-0030/94
Attn: Bidding Committee Coordinator

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN RE THE MATTER OF
WESTERN MOTOR SOLVENCY PUBLIC LIMITED COMPANY
AND
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice Chancery Division dated 21 December 1994 confirming the reduction of the Share Capital of the above-named Company from £1,000,000 to £500,000 and the Minutes approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 23 December 1994.

Dated this 5th day of January 1995.

Michael Graham & Jones
25-31 Moorgate
London EC2R 6AR.

IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the order of the High Court of Justice Chancery Division dated 21 December 1994 confirming the reduction of the Share Capital of the above-named Company from £1,000,000 to £500,000 and the Minutes approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 23 December 1994.

Dated this 5th day of January 1995.

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PETROBRAS
INTERNATIONAL COMPETITIVE BIDDING NOTICE
BIDDING NOTICES N° 874-81-0022/94 AND 874-81-0028/94

PETROBRAS S.A. - PETROBRAS has received a loan in various currencies equivalent to US\$ 260 million from the WORLD BANK and intends to apply a portion of the proceeds of this loan to purchase material and equipment for the erection of one Hydro-treatment Process Unit at Presidente Bernardes Refinery, in Cubatão - SP - Brazil.

These Biddings will be performed under the rules of the WORLD BANK and their purpose is:

BIDDING N° 874-81-0022/94
Supply of 25 (twenty five) rearrangement cabinets with inbuilt safety isolators, 8 (two) power distribution cabinets, 5 (five) spare cabinets, interconnecting cables and execution of interconnection service of cables between the arrangement cabinets and the digital control system (DCS), pursuant to the specifications set forth in the Bidding.

BIDDING N° 874-81-0028/94 - Supply of:
PACKAGE N° 1: Power cables rated 15KV, 6KV and 1KV and control cables;
PACKAGE N° 2: Electric lighting fixtures for hazardous locations, with HPS (high pressure sodium) and incandescent lamps included;
PACKAGE N° 3: Explosion protected, plastic enclosure, lightning panels, 240/120 Vac rated voltage;
PACKAGE N° 4: Explosion protected, plastic enclosure, electrical equipment control stations, "break glass" control stations, on-off switches, safety switches, sockets and plugs and junction boxes.
PACKAGE N° 5: Uninterruptible power supply (UPS) System, input voltage 480 Vac, output voltage 120 Vac, comprised by rectifier, battery bank static inverter, by-pass transformer, static switch and distribution panelboard;
PACKAGE N° 6: Uninterruptible power supply (UPS) System, input voltage 480 Vac, output voltage 220/115 Vac, comprised by rectifier, battery bank static inverter, by-pass transformer and static switch;
PACKAGE N° 7: Direct current power supply system, input voltage 480 Vac, output voltage 24 Vdc, comprised by rectifier, battery charger, battery bank and distribution panelboard;
PACKAGE N° 8: Lighting transformers 15 KVA, 480-240/120 Vac rated for hazardous locations;
PACKAGE N° 9: Measurement and testing apparatus for electrical system.

Bids for one or more of the above packages will be acceptable.

DEADLINE FOR BIDS SUBMISSION
Bids will be received until three (3) P.m. on the dates below:
BIDDING N° 874-81-0022/94 - January 26th, 1995
BIDDING N° 874-81-0028/94 - February 21st, 1995

ELIGIBLE BIDDERS AND ADDRESS:
Interested BIDDERS, from eligible countries, members of the WORLD BANK, and Taiwan, China who have designed and fabricated at least one (1) equipment, with the characteristics similar to the mentioned items, for which they intend to bid and comply with all other requirements set forth in the Bidding Documents may obtain this bidding by the submission of a bank deposit slip non-refundable fee of US\$ 300.00 (three hundred American dollars) for Bidding 874-81-0022/94 and 874-81-0028/94 to be made at Banco do Brasil S.A. Agência PETROBRAS-RIO (code 3180-1) current account n° 377-100-8 in the name of PETROBRAS/ADM. CENTRAL, or contact us at the following address:

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Fax: (55 21) 534-3837 or 534-3836
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MANAGEMENT: MARKETING AND ADVERTISING

How companies rate lobbyists

Businesses may be badly briefed on Europe, writes Tim Dickson

Britain's top companies still feel exposed when dealing with the European Union's political institutions. They admit they are not as good at spotting market opportunities in proposed legislation or regulations, whether EU or domestic, as they are at responding to threats. And they appear to be less enthusiastic about having MPs on the board.

These are some of the conclusions of a study on political lobbying carried out for the law firm Clifford Chance by NOP Corporate and Financial. Based on interviews with senior public affairs personnel in 34 out of the top 1,000 UK companies - plus a group discussion with eight corporate representatives - the research reveals a more or less even split between those who make use of in-house resources to monitor UK and EU legislation and those who rely on external advisers.

Most in the sample felt that existing arrangements left companies "adequately" or "reasonably" prepared for monitoring and influencing legislation. But there was a general feeling that minor regulations, notably from the EU, could be "missed".

"It is readily admitted that the need is greatest in assistance in understanding the workings of the EU, and legislation and regulations emanating from it," observes NOP in its summary.

Companies were also asked to rate the effectiveness of external lobbying advisers with the following results:

- Law firms. Happily for Clifford Chance, their profession's strengths are seen as being able to provide information and specialist advice, together with professional integrity. Law firms are seen as having good contacts within government and the bureaucracy. At the same time, though, they are regarded as too specialised and unable to offer a broad perspective on an issue. There were doubts about their ability to lobby, their natural cautiousness and their fees.
- PR companies. They were seen as being able to provide all round

support in terms of monitoring and reacting to a situation, as well as strong on "marketing" an issue and presenting a case. But they were also perceived as superficial and lacking in depth intellectually. There were doubts about the extent to which they would wield influence.

- Political lobbyists. Not surprisingly they are regarded as the experts in the field, given their knowledge of the "system" and contacts. They were thought to be good at communicating and operating at speed if required. Their weaknesses, according to the corporate interviewees, lay in feeling that they are rather self-important and that their influence may not be what they think it is. They are also thought to be expensive.
- MPs. The fashion for using them as non-executive directors "appears to have run its course", says NOP. While they were credited with having the contacts and knowing the system, they were no longer seen as an effective means of influencing legislation. One view was that they are compromised by being allied to a political party, another that they lack commercial expertise and have a narrow perspective.

- Trade associations. These are the primary source of information and influence for most companies. Their representation of a whole industry was seen as providing access to decision makers; equally that focus means they should know the sector and its issues inside out. At the same time, though, the representation of an industry view means that minority voices sometimes go unheard. Trade associations were also accused by some of being slow and retrospective in thinking.

- Management consultants. Companies saw them as good at analysing a situation and providing strategic advice - but they questioned their effectiveness on issues of public policy. Individual firms of consultants were often considered too theoretical and not perceived as having any influence in government.

Market research on the environment has blossomed faster than the average pollster's ability to frame suitable questions, judging by the plethora of opinion surveys on green issues.

Yet amid the forest of reports on both sides of the Atlantic, remarkably little has appeared about what consumers think.

That is surprising in view of the upsurge of green awareness and products, particularly consumer goods. Who now remembers washing powders with phosphates or the days when aerosols and refrigerators used unpronounceable gases called CFCs?

Yet in an era of global brands, multinational consumer goods companies and cross-border retailers, information on attitudes to green matters is essential. How else can manufacturers discover whether a German housewife is more prone to spend a few extra pennies on an environmentally-friendly product than her Dutch counterpart? And how can consumer goods companies judge the effectiveness of cross-border television advertising without comparative data about the sensitivity of their target audiences?

Peter Stisser, vice-president of Roper, Starch Worldwide, a US opinion research group, agrees there are still gaping holes. "A Swedish client may think that because the environment is a big issue in his country, it will also be relevant elsewhere. Moreover, the environmentally-aware consumer is not the same person in different countries. In the US and Canada, environmentalism is predominantly middle-class. But in Latin America, it is much more rural and blue-collar concern."

Virtually all the available data, particularly concerning consumers, are national. Big UK-based market researchers, such as Mintel, Mori and Gallup, have conducted regular surveys on British views on the environment, as have more specialised research outfits, such as Sustainable.

In the US, ORC and RSW prepare regular polls on broad environmental issues. Their work has been supplemented by the more focused groups such as Cambridge Reports/Research International. Internationally comparative data, however, are conspicuous by their absence. In western Europe, information is limited to the European Commission's Eurobarometer polls. Eurobarometer, however, has only tackled the environment fitfully and avoided consumer questions altogether until 1992.

On the face of it, much of the existing data appear contradictory. UK research suggests that green concern has waned since its peak in the early 1980s as issues such as the ozone layer have gone off the boil.

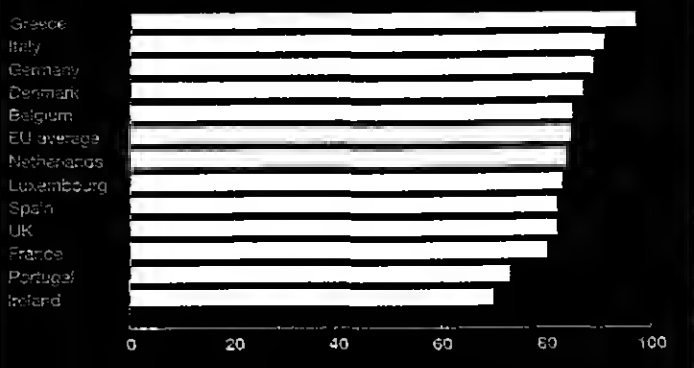
Haig Simonian looks at the remarkable lack of data on worldwide consumer attitudes to green issues

Pitfalls of eco-shopping

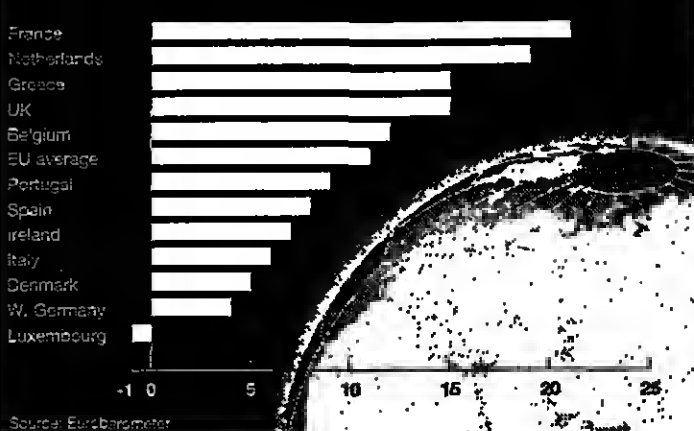
Protecting the environment

An immediate and urgent problem?

National % for 1992



National % shifts between 1988 and 1992



about environmental issues but have not changed their spending habits - grew by 5 percentage points.

All the surveys suggest consumers are prepared to spend more for green products. In Mintel's survey, shoppers were prepared to pay a premium for environmentally-friendly foods between 10p and 16p, depending on the consumer's age. For toiletries and cosmetics, the premium peaked at more than 20p for those aged 25-34.

Comparative data for western

Europe are thin. The 1992 Eurobarometer showed that 46 per cent of the sample from the 12-member states were prepared to buy an environmentally-friendly product, even if it were more expensive. The range varied from 75 per cent of those asked in the former West Germany and Portugal to 53 per cent in the former east Germany.

The same applies in the US. More than 75 per cent of those asked said they would pay at least 5 per cent more for environmentally-friendly detergents and household and gar-

den products, or for products made out of recycled materials, according to Cambridge Reports.

The "green shopping" issue has already been addressed by manufacturers and retailers, says Karen Blumenfeld, director of the Environmental Business and Strategy Practice at Arthur D Little in the US. After a "first wave" of action by manufacturers to address the onset of environmentalism a decade ago, she identifies a "second wave", in which environmental concerns have become part of companies' basic product development procedure.

However, even market researchers warn against reading too much into the limited findings available. A positive reply to a pollster's question about readiness to pay more for a product does not always translate into action, notes Hughes.

"Consumers want to be environmentally friendly, but they want it to be made easy," she says. "Products must be as good as less green alternatives, as readily available, and, ideally, no more expensive."

The increased interest in green goods has also led to upsets as unscrupulous manufacturers have climbed aboard the eco-bandwagon, according to Blumenfeld. Many companies have clashed with state attorney-generals, who are responsible for consumer issues, or the Federal Trade Commission after complaints about exaggerated environmental claims.

"There is a lot of cynicism out there," notes Stisser. "We're no longer telling manufacturers to have the environment as part of their international marketing statement because so many others are doing it."

There are exceptions, he says. "In foods and chemicals, stressing a company's environmental position will never cause damage. But in most other industries, multinationals need to find out what are the relevant social concerns in each country they operate."

Globally-operating producers ignore such warnings at their peril. Shoppers will increasingly demand more information on the environmental histories of products and their manufacturers, says Hughes. Worcester thinks environmental concerns will gain prominence as economies move out of recession.

The challenges will be in product development, believes Blumenfeld. "Companies will increasingly be asking themselves: how do you make a product which differentiates itself in some positive way, such as price or performance, while still being environmentally-friendly?"

A first step might be to find out more about what consumers think and are prepared to pay for. That means more market research, ideally across national frontiers, to supplement the meagre fare now available.

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Which of the following do you have? ☐ 1 Credit Card (e.g. Visa) ☐ 2 Gold Card ☐ 3 Charge Card (e.g. Amex) ☐ 4 None

هذه هي الأصل

Cinema/Nigel Andrews

Pulping the genres

In Edinburgh three flatmates try to dispose of a dead fourth. In Los Angeles a steel-clawed janitor terrorises the actress who once played his victim. In the Midwest a girl with giant thumbs joins a band of feminist cowgirls. In Paris a pornography-writing ex-nun becomes involved with international crooks. In deep space two explorers find an extraterrestrial model for Ancient Egypt.

Scheherazade, on an overdose of hallucinogens, could not have come up with five taller stories. But in the age of pandemic post-modernism we must take it in our stride: mix-and-match movies, many feeding on movie culture itself, are all around us.

StarGate, the one about Egypt in space, has been the surprise Christmas hit in America. It is Lotuland's answer to the Lord Mayor's Show: showing how much pomp, glitter and multi-referential paganism can be packed into one not over-costly spectacle.

The writer-director is Roland Emmerich, who established his sci-fi credentials with the Lundgren-Van Damme *Universal Soldier*. Now he sends Colonel Kurt Russell (laconic manner, lavatory-brush haircut) and linguistics scholar James Spader (specs, long hair, stammer) through the "stargate" - a shimmering time-space barrier - to a parallel world of deserts and pyramids, of tribal rebels and jackal-headed mummies.

This is ruled over by Jay Davidson as Ra. Since Davidson was the boy-girl in *The Crying Game* he is cast for heavy-duty androgyny here: an evil, epicure prince surrounded by cowering catamites.

The two black marks we award for homophobia are the film's only demerits. Its venturesome line of enquiry - did aliens "found" our Ancient Egypt? - allows *StarGate* to begin as 2001 meets *Land Of The*

STARGATE (PG)
Roland Emmerich

SHALLOW GRAVE (18)
Danny Boyle

WES CRAVEN'S NEW NIGHTMARE (15)
Wes Craven

EVEN COWGIRLS GET THE BLUES (15)
Gus Van Sant

AMATEUR (15)
Hal Hartley

TIME COP (18)
Peter Hyams

Pharaohs, before turning into *Mad Max* meets *Lawrence Of Arabia*. For 121 minutes nearly all is plagiarism, but in the post-modern age that counts as creative sophistication.

There is, besides, a wonderful crazed energy. By the time the plot reaches nuclear meltdown (sic) and everyone is metamorphosing before our eyes (gift of digital trickery) and Planet Egypt is erupting with flying pyramids and fighter planes, we are in a seventh heaven of genre pulp; and the greater the number of genres getting pulped the richer the time we have.

By comparison, *Shallow Grave* seems realistic, even focused. If this high-Gothic black comedy had opened a week ago, it would have been the best British film of the year. We quickly accept that our three young flat-shares - volatile Alex (Ewan McGregor), flame-haired Juliet (Kerry Fox) and swishy David (Christopher Eccleston) - have a strange way of interview-

ing prospective fourth tenants. "Leveraged buy-outs, good or bad thing?" they snap at the hapless supplicants; or, "When you sacrifice a goat..."

We accept, too, that chosen new flatmate Hugo (Keith Allen) will die by drug overdose and leave a suitcase full of money. After that, writer John Hodge and director Danny Boyle make their one questionable move. Why, if the trio want the loot, do they not steal the suitcase and hand the body over to the police? (It is not as if they have murdered Hugo). Instead they feel obliged to dispose of the corpse.

Swallow that and you swallow, even relish, the rest. We move into disfigurement, burial, madness and revenge. None of this is disagreeably in-your-face: the worst excesses happen off-frame, leaving the "drama" to facial reaction, skewed expressionist lighting or surreal developments such as crazed David's retreat to the attic, where he drills spying pinholes.

From here he jealously watches the intimacies of Alex and Juliet while monitoring the visits of hoodlums (wanting the money) and police (wanting Hugo). Better still, the ethic-prowling movie camera turns those pinholes into light-sources, making David's spee a cave of rakish-angled luminous stigmatises, a grotesque contour map of his own mind.

Shallow Grave grows into a prickly, inventive black comedy; a film with the talent to speed around storytelling corners without sacrificing balance and direction.

Wes Craven's New Nightmare fails to move deftly or to build on a cunning premise. What if Freddy Krueger, fictive fiend with steel finger-nails, returned to haunt the actress who in the saga's first, best film played his near-victim? She is Heather Langenkamp, cast as herself. Here, too, is director Craven



Dr Daniel Jackson (James Spader) and Colonel Jonathan 'Jack' O'Neil (Kurt Russell) at the Stargate

playing Craven, and Robert "Freddy" Englund appearing both as himself and as the pizza-faced alayer.

"The only way to stop him is to make another movie!" says someone of the fiend. So the plot is can they, should they, will they?

We wish they hadn't. If Craven wanted to bring Pirandello to the slasher film, he needed a sharper wit and sharper dramatic talons. A few frissons aside - notably the capping of two nightmare sequences by awakening their victims into the worse nightmare of a Los Angeles earthquake - the film Street series maintains its unenviable record: that of having added scarcely a single memorable new horror idea to a first film that was hurtling with them.

"Give me some of that old-fashioned normality," says someone in *Even Cowgirls Get The Blues*; "it was good enough for Crazy Horse, it's good enough for me."

Not good enough, though, for film-maker Gus Van Sant. His way with normality in *My Own Private Idaho* was to skewer it and hang it up in the wind, where it fluttered lyrically and memorably. Here, unhappily, he has caught a dose of the Wes Cravens. Having gone demented in his former film, he tries to go further but has not brought enough ideas for the journey.

As this epic whimsy proceeds - telling of a large-thumbed, free-spirited girl (Uma Thurman) who hitches her way to Utopia by befriending (in short order) Keanu Reeves, William Burroughs, "Count-

ess" John Hurt and a band of semi-Sapphic mid-western cowgirls - we feel we are moving not forwards but backwards.

The destination is Seventies hippyism. The film is based on a cult novel by Tom Robbins that Van Sant has dreamed of filming for 15 years. So we sense that saddest of all projects: the long-cherished dream only realised when it is past its dream-by date.

Hal Hartley's *Amateur* is horribly similar. A film-maker acclaimed for his loopy perspective on human relationships - *Trust*, *The Unbelievable Truth* - decides he must get even loopy. Isabelle Huppert is the ex-nun who writes sex stories. Martin Donovan is the amnesiac with whom she joins forces to battle a group of gangsters. The screen fills

up with murder, eroticism and non-sequitur.

If this sounds promising, imagine it scripted by Beckett and directed by Breton. Even then it might be too deep, if not dynamism. Instead *Amateur* has a remorseless deconstructive self-consciousness, full of flippant dialogue and narrative frame-breakings trying to pillate dramatic inertia. If this is post-modernism, time for a new era.

Timecop posits pre-modernism. Jean-Claude Van Damme keeps whooshing into the past to stop evil time-travellers tinkering with destiny. All the main characters meet themselves at earlier stages in their lives, which at least joins with the week's theme of mass regression. Here, as in *StarGate*, the journeyings are foolish but fun.

Dance/Clement Crisp

Cinderella

Watching Lesley Collier as Cinderella on Tuesday night at Covent Garden, I was fascinated by the present grace of her dancing. Reference books tell us that she has been a member of the Royal Ballet for 30 years; during which time a bright-footed young soloist - who could cut Petipa's diamond solos with the most brilliant facets - grew into a leading artist who has done wonderful things. She is now at that precious moment in a ballerina's career when she can command every skill with a maturity of understanding that makes no concession to the years.

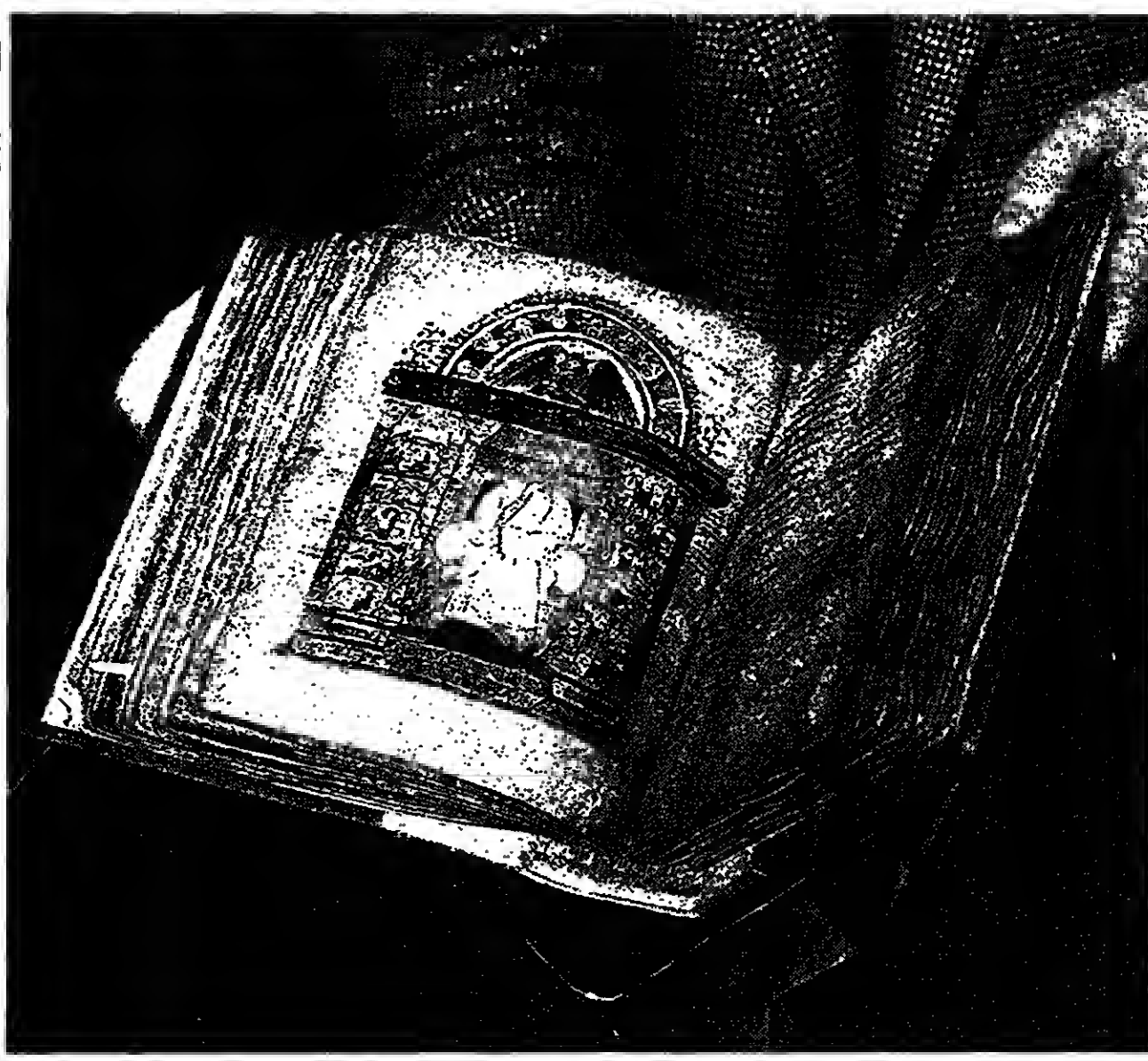
It is the dancer's tragedy that physical ability and physical wisdom too seldom coincide - *si jeunesse s'avance, si vieillesse passe* is the motto - but Collier happily demonstrates how the two may combine. She is an exemplar of Ashtonian style, and her Cinderella is loving proof of her delight in his choreography. It is a reading marked in emotion and technique by a musical sensibility of the highest order by a clarity of means, by a kind of delicious modesty. She forces nothing, neither step nor feeling, and draws a totally satisfying portrait by what seem the simplest effects, but which are in fact the product of her 30 years' stage-wisdom.

So, in the kitchen, each pose, each phrase, is beautifully

clear, sweetly exact; she hears music as Ashton did, and the choreography is illuminated thereby. (The little dance with the broom was a marvel). In the ballroom, the variations, the duet (Bruce Sansom a handsome, attentive prince), moments of wonder or gaiety, are done with a lovely decorum. Nothing is taken to extremes and thus the ballet has its heart in the right place. It is an interpretation delicious throughout, and one to honour.

Cinderella finds Ashton at his most imaginative in making his classical dances, and the ensemble of stars was fine. Among the season's ballets, each blessed with a lustrous variation, only the joyous Sara Galie as Spring produced that charm of physical personality which must colour the choreography. The other seasons seemed to be there on calendar duty rather than for any joy in the dance.

Cinderella's problem for many years has been the Ugly Sisters, and the present incumbents (David Drew, Oliver Symons) are no more convincing than their predecessors in creating comedy or character out of ideas that were only funny (but, ah! how funny they were) with the Helmann and Ashton originals. Both casting and capers need urgent renewal. The second act ballroom set - with its pie-crust architecture and loathsome tints - needs a dustbin.



Celebration of a seat of learning

The Canterbury Gospels (left), one of the oldest manuscripts in the country, is currently at Christie's - but it is definitely not for sale. It is one of many rare objects on show at the King Street, St James's auction room as part of the Campaign for Cambridge, which started in 1989 and aims to raise £250m for the university by 1999. The campaign has already raised £140m.

The exhibition - *The Foundations for the Future* - is designed to demonstrate the intellectual contribution made to the nation by the university over seven centuries.

There are sections devoted to the work of Newton, including his annotated first edition of *Principia Mathematica*; to Darwin, with zoological specimens that he gathered on his *Beagle* trip; plus Crick and Watson and the discovery of the structure of DNA; Rutherford's splitting of the atom; Babages' "difference machine", the precursor of the computer; Hawking's work on black holes, and more.

The Canterbury Gospels is the highlight of the display. Dating from the sixth century, the manuscript is believed to be among the books that Pope Gregory gave to St Augustine before he set out from Rome in order to convert the English to Christianity. It only leaves Cambridge when it is used at

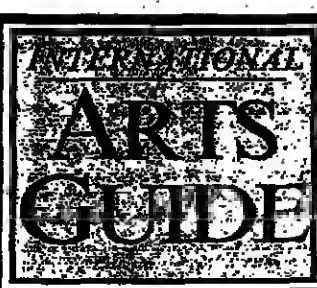
the swearing in of a new Archbishop of Canterbury.

Among the other exhibits are Tennyson's manuscript of his poems, *In Memoriam* and *The Lady of Shalott*; the radio transcripts of Douglas Adams' *The Hitchhiker's Guide to the Galaxy*; and a Maori paddle collected by Cook on his Pacific voyages and now in the Cambridge Museum of Archaeology. There are also paintings and manuscripts from the Fitzwilliam Museum and various colleges.

The exhibition continues until January 25 and admission is free. Sir Anthony Tennant, chairman of Christie's International, is on the board of the foundation organising the appeal. In January there are no major sales in the main King Street auction room.

The *Foundations for the Future* exhibition has taken two years to prepare but there are no plans to tour it after the short stay in St James's. Some critics have condemned the university for popularising its work in this way but with the costs of running Cambridge exceeding £300m a year, and government funding unlikely to increase, the development office sees no feasible alternative to setting up its stall in the market place.

William Packer will review the exhibition in full next Tuesday.



AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345

● European Baroque Orchestra: Wileid Kulkman conducts Telemann, Muffat and Bach at 8.15 pm; Jan 8
● Royal Concertgebouw Orchestra: with violinist Sarah Chang, Charles Dutoit conducts Berlioz, Liszt, Stravinsky and Ravel at 8.15 pm; Jan 5, 8

GALLERIES
Van Gogh Museum Tel: (020) 570 5200

● Odilon Redon: retrospective of the French artist's work to Jan 14
OPERA/BALLET
Het Muziektheater Tel: (020) 551 8022
● L'italiana in Algeri by Rossini. Conducted by Dario Fo; conducted Alberto Zedda at 8 pm; Jan 13, 15 (1.30 pm)

BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249

● Ballet Evening: premiere of works

by Debussy, Poulenc and Stravinsky. Conducted by Sebastian Lang-Lessing, choreography by Nacho Duetto, Glen Tetley and Haris Mandafounis at 7 pm; Jan 14 (6 pm)
● Der Rosenkavalier by Strauss. Conductor Jiri Kout, production by Götz Friedrich at 8 pm; Jan 8, 15
● Zar und Zimmermann by Lortzing. Conducted by Hans Hilsdorf, produced by Winfried Bauernfeind at 7 pm; Jan 10, 13 (8 pm)
Staatsoper Unter den Linden Tel: (030) 2 00 4762
● Die Zauberflöte by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Jan 7

BRUSSELS

CONCERTS
Philharmonique de Bruxelles Tel: (02) 507 84 34

● Abdel-Rahman El-Bacha: pianist plays Chopin at 8 pm; Jan 11
● Belgian National Orchestra: with soprano Zuzana Miskova, baritone Andras Molnar and conducted by Yuri Simonov plays Wagner at 8 pm; Jan 12

GALLERIES
Musée d'Artelies Tel: (02) 511 90 84

● Gainsborough to Ruskin: British landscape drawings and watercolours from the Pierpont Morgan Library in New York; to Jan 15 (Not Mon)

LONDON

CONCERTS
Barbican Tel: (071) 638 8891

● London Symphony Orchestra: conducted by Ivan Fischer plays Dvořák at 7.30 pm; Jan 12
● Royal Philharmonic Orchestra: conducted by Bramwell Tovey plays Mendelssohn, Handel, Bruch and Beethoven at 8 pm; Jan 7
Queen Elizabeth Hall Tel: (071) 928 8800
● Messiah by Handel. James Gaddam conducts the London Orpheus Orchestra and the London Orpheus Choir at 7.30 pm; Jan 15
● Orchestra of the 18th Century: with conductor Frans Bruggen and soprano Cynthia Sison plays Haydn, Mozart and Beethoven at 7.45 pm; Jan 12

GALLERIES
Hayward Tel: (071) 261 0127

● The Romantic Spirit in Romantic Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 8
Tate Tel: (071) 887 8000
● James McNeill Whistler: major survey of the Victorian painter and designer; to Jan 8

OPERA/BALLET
English National Opera Tel: (071) 632 8300

● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 11, 14

Royal Opera House Tel: (071) 340 4000

● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Jan 14
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Jan 13
● Swan Lake: by Tchaikovsky.

Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5

THEATRE
National, Lyttelton Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniel Khamis. A Royal National Theatre and Theatre de Complicité co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Jan 7 (2.15 pm)

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Jan 8, 10 (2.15 pm), 11 (2.15 pm)

NEW YORK
GALLERIES
Brooklyn Museum Tel: (718) 638 5000

● Indian Miniature Paintings: 80 jewel-like paintings from the 15th-19th century; to Jan 8 (Not Mon) Metropolitan

● Origins of Impressionism: 175 paintings by Parisian artists of the 1860s; to Jan 8 (Not Mon)

● William de Kooning's Paintings; to Jan 8 (Not Mon)

Museum of Modern Art Tel: (212) 708 9400

● Gy Twombly: Comprehensive retrospective of the contemporary American artist; to Jan 10

OPERA/BALLET
Lincoln Center Tel: (212) 721 6500

● Heather Watts Final Performance: New York City Ballet principle dancer Heather Watts gives her last performance in George Balanchine's 'Bugaku' and Peter Martins' 'Naise Triste' at 7 pm; Jan 15

Metropolitan Tel: (212) 382 6000

● Die Fledermaus: by J. Strauss. Sung in German with English

dialogue at 8 pm; Jan 5, 7, 11, 14 (1.30 pm)

● L'Elisir d'Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 8, 9, 14

● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 12

● Madama Butterfly: by Puccini at 8 pm; Jan 7, 10, 13

THEATRE
Richard Rodgers Theatre Tel: (212) 307 4100

● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

PARIS
CONCERTS
Champs Elysees Tel: (1) 47 23 37

21/47 20 08 24
● Choir and Orchestra of the Kirov Opera: with soprano Valentina Tsaidipova, mezzo-soprano Olga Borodina, tenor Gegam Grigorian and conductor Valery Gergiev plays Verdi's 'Requiem' at 8.30 pm; Jan 10

GALLERIES
Grand Palais Tel: (1) 44 13 17 17

● Gustave Callebotta: retrospective of the painter and patron of art who belonged to the circle of impressionists; to Jan 9

Institut du Monde Arabe Tel: (1) 40 51 38 38

● Delacroix in Morocco: Delacroix's visit in 1832, when he was 34, made a lasting impression on his art; to Jan 15 (Not Mon)

Musée d'Orsay Tel: (1) 45 49 11 11

● Forgotten Treasures from Cairo: a rich collection of works by Ingres, Courbet, Monet, Rodin, Gauguin and others; to Jan 9 (Not Mon)

OPERA/BALLET

Châtelet Tel: (1) 40 28 28 40

● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arigaes at 8.30 pm; to Jan 7

WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600

● National Symphony Orchestra: with soprano Elizabeth Futral, mezzo-soprano Claudine Carson and the Choral Arts Society of Washington. Leonard Slatkin conducts Ravel and Mahler at 8.30 pm; Jan 12, 13, 14

● Yo-Yo Ma: the cellist along with pianist Emanuel Ax, violinist Pamela Frank, clarinetist Paul Meyer and flutist Eugenia Zukerman plays Brahms and Schoenberg at 8.30 pm; Jan 11

GALLERIES
National Gallery Tel: (202) 737 4215

● Roy Lichtenstein: A survey spanning four decades of the American Pop artist; to Jan 8

OPERA/BALLET
Washington Opera Tel: (202) 416 7800

● Semel: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zaek Brown production at 8 pm; Jan 7 (7 pm), 9 (7 pm), 13

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 8 pm; Jan 8 (2 pm)

● Venessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keene at 8 pm; Jan 14 (7 pm)

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Ian Davidson

Action plan to cut the Euro-nonsense



With the arrival of the new year, we find ourselves shouting distance of the European Union's inter-governmental conference to revise the Maastricht treaty, due in 1996.

From mid-year, the governments start negotiating the agenda for the conference. But since this will largely determine the possible outcomes of the event itself, the 1996 conference is really going to start halfway through 1995.

So if we want to avoid the worst horrors that attended the Maastricht treaty, we have to do some homework. We cannot afford another laborious multidimensional negotiation, where governments emerge from the fog with an ill-considered, incomprehensible package deal, and are surprised when the voters turn against it. This time we must keep an eye on the stupidities of governments, before their worst efforts are set in concrete.

So, as my contribution to the new year, I have assembled a short list of recent, noteworthy and forthcoming books, which may be useful to the alert citizen for the prevention of Euro-nonsense.

First stop, of course, is a copy of the 1992 Maastricht treaty, since that is what the 1996 conference is called to revise. The best version is the official consolidated Treaty on European Union - EC Treaty, published in 1992. At least it combines the old and the new in a single volume, and is the essential legal reference; unfortunately it is still an incoherent mishmash, because that's the way they negotiated it.

To make sense of the treaty, the ordinary person needs a guide. Fortunately, there is now available a comprehensive handbook to Maastricht, called *European Union and European Community*, which goes right through the treaty article by article, with ample commentary at every phase, illuminating the real-life context of the implementation of European

policy. Ostensibly this is an academic textbook for university students, but it deserves a wider general readership. The next book on my list, *Maastricht and Beyond*, is a collection of essays on different functional aspects of the treaty, what it means, and what issues it raises: the negotiations, ratification, economic and monetary union, etc. This is slightly serious stuff; but for anybody who wants penetrating expert analysis, edited by three of Britain's most authoritative Euro-watchers, this is essential reading.

The difficulty with understanding the European Union is that it is much more than a collection of legal texts. And it's not always easy to recommend a book about Europe for a Euro-phobe, because the best ones are usually written by

This time we must keep an eye on the stupidities of governments

pro-Europeans: they are more interested in the subject. Even the title of John Lambert's book *Solidarity and Survival: a Vision for Europe* is resonant with commitment. He is a convinced pro-European with strong Green edges, who has spent 30 years in and around Brussels, and this is in some sense a personal testament.

By contrast, D.M. Harrison's *The Organisation of Europe*, which appears later this year, is safer fare for a Euro-phobe. It treats the EU more neutrally, as a market first and foremost, with useful analysis of the single market, Emu, agriculture, etc. Its concluding, philosophical chapter ("What is European integration?") is detached, almost sceptical.

The European Union was not created by scepticism, however, but by political inspiration, commitment and determination. If any one man epitomised those qualities, it was Frenchman Jean Monnet, once known as the Father of Europe. François Duchêne's

new biography* is perfectly timed, since the 1996 conference will provoke passionate debates between the pros and the anti, over the legacy of Monnet and whether it is still valid for Europe today. Anyone who is seriously interested in the question will need to go back to the beginning.

The best way to start will probably be this biography, which starts with Monnet's work on both sides of the Atlantic in the first world war, and ends with his death in 1979. What stands out from his role in the founding of the Community, is that he was often misguided on specifics. For example, he stuck so firmly to the idea that Europe should be built on sectoral integration that he put great hopes in a specialised nuclear energy community (Euratom), which inevitably failed, but he was less interested in the general common market, which proved to be the foundation of today's Union.

And yet, as Duchêne makes clear, Monnet was right on the essentials of integration, because he changed the way people thought and acted. This is a widely researched biography that will long remain the authoritative account, and it carries greater weight from the fact that Duchêne worked personally with Monnet in the 1950s and 1960s. It is perhaps a pity that the author has virtually suppressed any acknowledgment of his own role in those momentous times; and yet he has given us a deeply felt story, whose intensity occasionally breaks through with greater effect.

* *Treaty on European Union - EC Treaty, Office for Official Publications of the European Communities, Luxembourg, 1992.* * *European Union and European Community, Clive Church and David Phinn, more, Harvester Wheatsheaf, 1994, £15.95.* * *Maastricht and Beyond, ed. Andrew Duff, John Pinder and Ray Price, Routledge, 1994, £10 (hbk), £2.99 (pbk).* * *Solidarity and Survival: a Vision for Europe, John Lambert, Avebury, 1994, £22.50.* * *The Organisation of Europe, D.M. Harrison, Routledge, March 1995, £17.50.* * *Jean Monnet, François Duchêne, Norton, January 1995, £22.*

Natura non facit saltum. Nature does not move in leaps. That was the motto of the late Victorian economist Alfred Marshall solemnly put at the head of his *Principles*. This may be true of basic economic processes. But human perceptions of them do indeed leap around very rapidly.

Who would have thought, for instance during most of 1994, when the more sombre commentators were still basking in gloom about the deep-seated weakness of the UK balance of payments, that the Central Statistical Office would announce as a pre-Christmas present on December 23, a third-quarter current account balance of payments surplus at an annualised rate of £3.2bn, the first such surplus for 7½ years? Well into last summer the standard prediction from the 38 independent forecasts collected by the Treasury, was of a payments deficit of £12bn for 1995.

According to one mainstream forecast, Cambridge Econometrics, the current account will still be in small deficit in 1995 before moving into surplus from 1996 onwards. Of the forecasters polled by the Treasury, only five had the courage, as of last December, to forecast a surplus for 1995. Yet events have a habit of getting ahead of the forecasters.

There could still be lurches in both directions; the raw figures show only a bare balance which turns into a surplus after seasonal correction. But the striking feature is that it is part of an improving trend, in sharp contrast to anything that had been expected by the Treasury or most forecasters. The improvement has been apparent in both visible and invisible overseas earnings. Both exports and imports rose in volume, but exports rose faster - the opposite of the typical picture of the British economy.

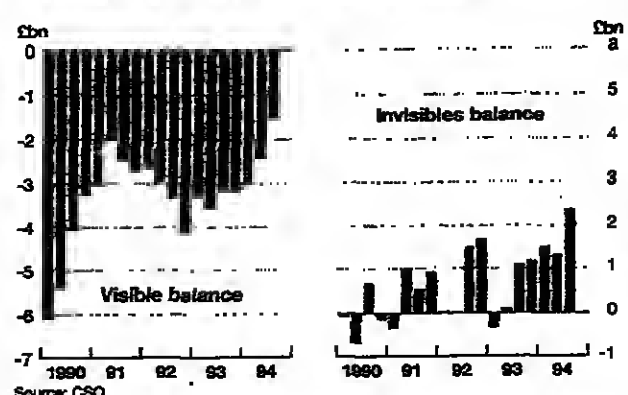
These trends are particularly remarkable because they have been achieved at a time when UK growth has been above trend, but Britain's main trading partners in Europe have just begun to pick themselves off the recession floor. This combination would in the past have resulted in an increasing deficit. The move into surplus has indeed reflected the 1992 depreciation, when sterling was forced out of the exchange rate mechanism; but there have been many other devaluations without such results. The drastic running down of the British government's underlying Budget deficit may be even more important, but only

ECONOMIC VIEWPOINT

The other side of the trade coin

By Samuel Brittan

The make-up of the UK current account



so far as it raises national savings relative to domestic investment.

Is it possible that the balance of payments surplus could seem to become too much of a good thing? For those who worry about such things, the answer is, "Quite easily, yes." As the current balance is the imperfectly measured difference between huge flows in both directions, it will not take much to transform a deficit worrier into a surplus worrier.

There are, of course, differences, because surpluses are regarded as worthy and deficits disgraceful. So worry about a surplus might take a more indirect form. The most obvious worry would be if a surplus were associated with a rising pound. I still have files full of letters, dating from the last time we had this combination, in the early 1980s, from manufacturers complaining of the devastation that a high pound had brought on British industry.

But even if the pound does not rise, political grumbling could emerge. Some commentators will start saying that even exports should not have all the best times, and that it is time that British consumers were allowed to experience a feel-good factor. This, of course, would be the instinctive reaction of many Tory MPs.

From an economic point of view a further distinction matters. That is whether an export-led expansion is so rapid as to impose an inflationary threat, or whether it is not. In all these cases the "executive summary" is the same. "Sit back and enjoy the surplus so long as it lasts, as measures to counteract it will be

extremely foolish." But for those who want to probe further I have put the main possibilities into a four-cell diagram, showing a payments surplus being accompanied either by a rising or a stable pound and with or without an inflationary problem. These do not exhaust the possible combinations; but it makes for clarity to concentrate on the most likely cases.

The situations shown in cells A and B in the first row are clear from a policy point of view. If the pound is stable and there is no inflationary pressure, as in cell A, leave the surplus alone and do nothing. The gain from the surplus will come from a rise in net UK overseas assets. Similarly there is no policy conflict - merely a test of political will - in the case of cell B. If the upturn in export demand is creating

Accompaniments of a surplus

	No inflationary pressure	Inflationary pressure
Stable £	A	B
Rising £	C	D

clear inflationary pressures, the appropriate response is an increase in interest rates.

A dilemma begins to emerge in cell C, where there is a rising pound and no inflationary pressure. There will then be a lot of industrial lobbying for lower interest rates to put a brake on sterling, which will

be reinforced by political proponents of domestic relaxation. But these pressures should be resisted. If the economy is growing normally, reducing interest rates will stoke up inflationary pressure unnecessarily. The rising pound will itself improve the lot of the consumer by keeping domestic prices lower than they otherwise would be.

The biggest dilemma is represented by cell D. Here a rising pound will lead to calls for interest rate cuts, but rising inflationary pressures will lead to calls for base rate increases. What does the poor governor of the Bank of England then recommend? In my view an increase in interest rates. That is the appropriate response if policy is geared to an inflation objective, as it is supposed to be.

The difficulty of selling this course of action is that sterling could then respond by rising higher still. A climbing pound would, however, be one of the ways by which inflation would be curbed. And even though industry would grumble, consumers' real incomes would at last be getting a real boost from the economic upturn.

It will not have escaped readers that the choices I would make are in favour of domestic stabilisation and would apply even if there were no payments surplus or if (as in fact is the

case) we had little idea what the current balance of payments was.

In the hypothetical case of European Monetary Union, the balance of payments of the UK would be even less relevant than it is today. A big difference, however, is that the dilemma cases in the second line of the chart cannot occur with a common European currency. For if sterling as such did not exist, upward and downward lurches in the pound could not cause problems. The European Central Bank would raise interest rates only if there were inflationary pressures in the European Union taken as a whole; just as the Federal Reserve has to look at average conditions throughout the US. But if the pressures were confined to the UK or one or two other regions, they would not determine policy. Unfortunately this course is not an option open to a British government which is so loudly sceptical about the chances of Emu.

Meanwhile, the main reason why policy should not be deflected by a payment surplus is a mirror image of the reasons for not getting too excited about a deficit. The conventional discussion leaves out the capital account. Just as a current deficit has its counterpart in a net inflow of capital, so a surplus has its counterpart in an outflow. Just as a deficit may represent willing net overseas investment in the UK, so a surplus may represent willing UK investors placing their funds abroad.

As one of the world's principal authorities on such matters, Professor Max Corden, has just put it in a relatively simple prose exposition: "There can be no general presumption that a current account deficit is undesirable." The current account should be watched mainly for its "signalling role", especially if it is a sign of an excessive Budget deficit.

What could a current surplus be signalling? That the Budget deficit is too low? Corden warns of the dangers of fiscal management aimed at perceived short-term problems. Having spent so much energy and political capital in correcting the structural Budget deficit it would be absurd to go into fiscal reverse and cut taxes in an attempt to fine tune the current balance.

Economic Policy, Exchange Rates and the International System, Oxford £14.95

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Eurospeak resolution a clear winner

From Ms Eirlys Roberts.

Sir, For years, the British press has enjoyed itself by poking fun at "Eurospeak", and long may it go on doing so. It makes a nice change from poking fun at the language used by our own borough councils.

Chrissie Maher, head of the Plain English Campaign, and your journalists, Alice Rawsthorne and David Gardner, are right ("Campaign for clarity aims to end Eurospeak", December 31). Obscure language is an offence to the public and has to be fought.

That is why two organisations - European Research into Consumer Affairs and Consumers in Europe Group - have been campaigning for several years to get the European Commission's language simplified by lobbying, organising competitions and awarding prizes.

In July 1993 we saw a result. The EU Council of Ministers passed a resolution on legal drafting which ordered its civil servants to use wording which was clear, simple, concise and unambiguous.

No unnecessary abbreviations. No "EU jargon". The same term throughout for the same concept. And so on.

Sir Ernest Gowers, author of *The Complete Plain Words* and editor of *Fowler's Modern English Usage*, would have been proud.

Now comes the hard bit: getting the lawyers, translators, scientific experts and civil servants to do what they are told.

Eirlys Roberts, chairman, European Research into Consumer Affairs, 8 Lloyd Square, London WC1Y 9BA

Shareholders shun democracy

From Mr Roland C Shaw.

Sir, The Lex article of December 31, "UK governance" (as an American I shudder at the British import of that horrible term), rightly asks for an investigation of the responsibilities of shareholders and the reluctance of UK institutional shareholders to vote at general meetings. This is particularly apposite when journalists call for shareholder approval of executive salaries.

At the last AGM of the public company over which I presided, the total shares represented by written proxy and in person, as I recall, was 8 to 10

per cent. In a prior discussion with a leading shareholder when I was pressed to take certain corporate action (no doubt regarding payment of a dividend), I suggested the shareholder came to the AGM and state its views publicly. Oh no, I was told, we never take a public stand; we prefer to talk to management privately.

So much for shareholder democracy - and do we really want 8 to 10 per cent of shareholders deciding on executive remuneration? Incidentally, at that AGM, I suggested to my fellow directors that we should publicly announce the percent-

age of shareholder participation, but was told this fact might give an undesirable impression. Perhaps companies should be required to state such facts.

It all says to me, as your article implies, that institutional shareholders are not really "members" of the company in any real sense, but are in for the (hopefully) quick profit, ready to criticise in private but unwilling to take any public responsibility.

Roland Shaw, *Heritage Oil & Gas, 535 Kings Road, London SW10 0SZ*

Ground rules for an export-led recovery

From Mr Ian J Campbell.

Sir, The forecast by Cambridge Econometrics reported on January 3 ("Balance of payments surpluses seen for UK until 2004") reinforces the views expressed by this institute throughout 1994.

The 1992 devaluation of sterling, the opening of the single market in 1993, and the volume of inward investment over the last decade have all helped to lay the foundations for a sustained export-led recovery.

Three caveats, however, must be noted.

First, interest-rate policy

must be very carefully thought through by the chancellor and governor. Any decision to raise rates to combat inflation must also consider the likely effect on the competitiveness of sterling and the propensity of industry to invest.

Second, the evil of short-termism must be tackled. Companies must invest in plant and equipment if we are to have the products to service growing world markets.

However, shareholders' dividend expectations and banks' attitudes to long-term finance must change if such invest-

ment is to be undertaken.

Third, UK companies must stop treating international business as a "bolt on" activity. Exporting must be seen as a direction, not just a function, of the business. This means having a strategic approach to overseas markets, an international view of product and marketing development, and a cohesive training policy to produce culturally aware export sales and service personnel.

Ian J Campbell, *The Institute of Export, 64 Clifton Street, London EC2A 4HB*

US policy in Gulf not motivated by self-interest

From Mr Lance Gay.

Sir, I have a minor quibble with Jurek Martin's otherwise masterful and expert analysis of US foreign policy ("Global policeman called home", January 3).

He states that the Gulf war of 1991 was "fought in part to protect US oil supplies". In fact, according to the *World Almanac and Book of Facts*, in

1989 US oil imports from the Arab-state producers amounted to half of the 20 per cent of the country's oil consumption coming from Opec producers. The quantity was even lower during most of the 1980s.

The main markets for Gulf oil were, and still are, Europe and Japan.

Therefore it would be more correct to say the Gulf war was

fought in part to protect European and Asian oil supplies - a fact that European newspapers, particularly those of a leftwing bent, consistently ignore when they pillory US foreign policy as being purely motivated by self-interest.

Lance Gay, *Logger 200, 1188R W Amsterdam, The Netherlands*

Jobs survey underestimates extent of employment revolution

From Mr Nigel Wilkins.

Sir, The statistics quoted by Mr Andy Lake (Letters, December 22), illustrating the sharp growth in self-employment and the number of temporary jobs, appear to contradict the results of the survey conducted by Simon Burgess and Hedley Rees, indicating the continued availability of permanent jobs ("Jobs for life still avail-

able to many", December 9). Burgess and Rees succeeded in demonstrating that many workers are still in what might be considered "lifetime" jobs, with the average length of time spent with the current employer little changed over the past two decades. However, by its nature this survey excluded the growing proportion of the labour force that no

longer works for an employer, in particular the self-employed, the unemployed and the involuntarily retired. Including these groups, the proportion of the total labour force with a "job for life" would be much lower than Burgess and Rees suggest.

Another key difference compared with two decades ago is that today a much higher pro-

portion of the departures made by employees from "permanent" jobs results from redundancy, the cause of considerable distress. Back in the 1970s, most moves occurred because an employee had been offered a better job elsewhere.

Nigel Wilkins, *8 Petersham House, Harrington Road, London SW7 3HD*

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FINANCIAL TIMES

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Thursday January 5 1995

Mexico faces market test

President Ernesto Zedillo would like to have put the turmoil of the past few weeks behind him with the government's emergency economic plan announced on Tuesday. In principle, the package ought to revive investors' confidence in the Mexican economy, so lowering the short-run costs of the peso's devaluation. But as yesterday's further decline in the currency showed, it will do so only if the government is able to show a good deal more sureness of touch in the months ahead than it has in recent days.

On the face of it, the markets' reaction to the stabilisation plan is difficult to justify. The package is a broadly coherent response to the more than 40 per cent fall in the peso's value since December 19. The monetary and fiscal targets built into the plan could well prove overoptimistic, particularly if interest rates remain at their present levels. But two crucial elements are in place which back up Mr Zedillo's efforts to ensure that devaluation delivers real competitiveness gains, and not simply a return to stagnation.

The first is the \$18bn in balance of payments support from foreign governments and banks set up over the weekend by the Bank for International Settlements. This will be especially needed in the first six months of this year, when the government hopes to see an automatic rise in the value of imports, but the maturing of \$16.9bn of dollar-denominated government bonds.

It is a tribute to the Mexican economy's transformation - and

growing importance - over the past decade that the US and other countries were so quick to commit themselves to supporting Mr Zedillo after the devaluation. Key supporters at home, namely the unions, were slower to sign up to the deal, thus causing the unseemly 24-hour delay in the president's official announcement.

The "pact" on wages and prices which the government eventually agreed with unions and business leaders is the second, and more important, element of the plan. The unions' initial reluctance to keep to the 7 per cent limit on wage growth agreed before devaluation is understandable. Even if all goes according to plan, the government expects inflation to top 16 per cent next year as a direct result of the peso's fall. Union leaders have repeatedly been told over the past decade that falling real wages were a necessary sacrifice for future growth. A further drop of at least 8 per cent after the country's first year of significant recovery must be a bitter pill.

Laudably, Mr Zedillo did not attempt to claim that sticking to the deal would be easy. But he could have made it somewhat easier by more effectively staging-managing its announcement. As it was, the delayed presentation carried unfortunate echoes of the government's botched handling of the devaluation itself. The peso's fall still offers tremendous long-term economic benefits. But they will be increasingly difficult to grasp if Mr Zedillo continues to wobble in his tricky first steps towards them.

Make them liable

Most businesses of any size or substance in the late 20th century conduct their operations through subsidiaries which are owned and controlled by a parent company. Yet this fundamental organising principle is largely ignored by British insolvency law which, despite recent reforms, remains firmly rooted in the 19th century. A consequence is that when parent companies periodically refuse to honour subsidiary company debt, much of the business community is scandalised as trade creditors are hit. The recent, much-criticised decision by Peintos to put its Athena Holdings poster and card retailing subsidiary into administrative receivership is the latest in a long line.

In law, even when the holding company's stake in its subsidiaries is the same throughout the group, the existence of separate subsidiary companies creates the illusion that the directors of each company have to have separate regard to its particular interests. In practice, inter-company transactions are often done on non-arm's length terms and money swirls around a group without regard to the independently assessed cash requirements of the legal subsidiaries. Why has nothing been done to bring the law into line with business reality?

A theoretical objection is that the twin concepts of limited liability and the separate legal personality of the company underpin the operation of the capital markets. To retreat from them might impede the flow of capital into the

corporate sector. Yet it is hard to believe that many modern companies would be reluctant to raise and invest fresh capital without the reassurance that they could run away from the investing subsidiaries' debts. Nor, again, that these legal principles, which allocate risk between owners and creditors, could not be amended to conform with a modern view of ethical business practice.

They have anyway recently been eroded by the introduction of the 1986 Insolvency Act, whereby parent companies and their directors can be held responsible for subsidiary liabilities. Yet the government drew back from more specific reforms. The best solution to what the Cork Report on insolvency law called a seriously inadequate legal framework would be to embed the group concept more firmly in the law, for example by making the parent company responsible for all group debts. Yet this gives rise to technical difficulties because of the complexity of group capital structures, the existence of foreign subsidiaries and transitional problems arising from changes in creditors' rights across the group.

An alternative would be to give the courts a wider equitable right to disregard the separate legal status of subsidiaries in specific circumstances, as in other English-speaking jurisdictions. At the very least, all subsidiary companies should be required to state clearly on their notepaper whether the parent stands behind them.

Chinese risks

Let the creditor beware. Always a good motto for the foreign investor, it is essential for anyone putting substantial amounts of money into emerging markets. This has been made clear by the collapse of the Mexican peso. Even China, darling of foreign investors, has begun to shake investor confidence.

Recently, there have been several disturbing events: a dispute with Lehman Brothers, involving prominent state corporations, over losses of \$100m (\$54m) on currency trading; an argument with the London Metals Exchange over \$30m-\$40m in trading losses incurred by the China International Trust and Investment Corporation (CITIC); complaints about the non-payment by state enterprises of \$500m-\$600m to joint venture leasing companies; and reports by Hong Kong ship owners of substantial arrears.

All of these cases involve China's still largely unreformed state-owned enterprises (SOEs). They have been offered substantial commercial freedom by the central government, but are operating without legally enforceable property rights or effective bankruptcy procedures. Close to half of them have been running losses. At the same time, the government is imposing a credit squeeze, albeit half-heartedly, in order to lower consumer price inflation from the 24 per cent reached last year. Fear of inflation also explains why the government has been unwilling to liberalise controlled prices, which are an important explanation for

SOE losses. The inevitable result of all this has been a rising lake of bad debt, which was bound to spill over on to foreign creditors.

The Chinese government argues that enterprises and their creditors have to sink or swim on their own. Since the Chinese state remains the dominant shareholder and is responsible for the highly defective policy environment within which SOEs operate, this is disingenuous. But foreign investors have received a timely warning: they must rely on the good faith of enterprises no longer disciplined by the state, but not yet disciplined by the market.

The difficulties of some SOEs need not affect the credit of the Chinese state itself. The trade account had a surplus of \$2.4bn in the first 10 months of 1994, while foreign direct investment was no less than \$25.2bn. Furthermore, the ratio of external debt-service to exports is currently 13 per cent, modest by the standards of many developing countries. A reduction in the rate of capital inflow would even help the authorities curb inflationary pressures.

China does have huge economic potential. But investment there is unavoidably risky. Quite apart from the political uncertainties, the institutions of a market economy have not yet been put in place. Investors would do well to remember that the emerging country which offered dazzling opportunities in the last century was the US. There, too, the economy thrived. But many foreign investors lost their shirts.

Diplomats at the General Agreement on Tariffs and Trade in Geneva had an extra reason to celebrate

the arrival of the new year. After a hectic scramble, they succeeded just before Christmas in bolting into place arrangements for the launch on January 1 of the new World Trade Organisation and the Uruguay Round agreement, intended to usher in a bigger and better global trade system.

Now they and the more than 120 governments they represent must show they are able to make the new machinery work.

Rarely has the birth of an international institution been preceded by higher expectations. The WTO has been widely hailed as the centrepiece of a stronger and more cohesive framework for accelerating the liberalisation of economies worldwide and promoting more effective policy co-ordination between them.

Some observers, however, fear the optimism may be overdone - and could even prove self-defeating. "The new system has built up expectations which may be unrealistic," says Professor John Whalley, a trade policy expert at Warwick University. "There is a danger that if they are not fulfilled, some of Gatt's achievements will be eroded."

Even the WTO's most enthusiastic supporters admit the enterprise involves a big leap of faith. Unlike the International Monetary Fund or the World Bank, the organisation will have no resources of its own other than its operating budget. "Its role will depend entirely on its credibility," says a senior trade official in Geneva.

The WTO is equipped with a broader remit and stronger procedures than Gatt. It is also designed to ensure fuller participation; while countries, particularly developing ones, could choose not to observe some Gatt obligations, they must subscribe to all the WTO's much wider range of agreements and disciplines.

However, the WTO, like Gatt, has no power to force through decisions, which will mostly be reached by consensus. Ultimately, its effectiveness will depend on how readily members co-operate in advancing liberalisation by making reciprocal concessions based on a calculation of self-interest.

Steering their deliberations will be made no easier by deadlock over a leader for the WTO, which has led to Mr Peter Sutherland, Gatt's outgoing director general, being asked to stay on until March. Few observers think this arrangement can run beyond then without weakening the WTO's impact.

Mr Sutherland has also had only partial success in persuading governments to beef up the Gatt secretariat, which will serve the WTO. Though its budget has been increased about 10 per cent to \$710m (\$50m) this year, that is less than half what Mr Sutherland initially demanded, leaving many of Gatt's 400 staff disgruntled. "Morale in this organisation is pretty low right now," says one official.

By contrast, the WTO faces a far heavier workload than Gatt. It starts life with more than 30 councils and standing committees - twice as many as its predecessor. These must handle an array of challenging new issues not previously covered by Gatt, including trade in services, intellectual property and the environment.

When the race to head the WTO began last summer, it was supposed to be a contest between individual candidates. But it has rapidly turned into a fratricidal power struggle between regions.

It was agreed at the outset that, unlike the post of director-general of Gatt, which has always been held by a European, the WTO leadership should be open to all corners.

As well as wanting to attract a wide field of candidates, Gatt members judged the approach offered the best chance of selecting some-

Dreams behind the scenes

Guy de Jonquières asks whether Gatt's successor, the World Trade Organisation, is likely to live up to expectations

For several years to come, its operations will be dominated by decisions taken in the Uruguay Round. For instance, an agreement to create rules to protect intellectual property rights has to be translated effectively into national law. Landmark accords to reduce or dismantle trade barriers in agriculture and textiles must be carefully monitored to ensure they are being put into effect.

In some areas, complex further negotiations will be required if objectives set in the round are to be achieved. The most important is services, where Gatt members have agreed a broad framework for liberalisation, but have yet to decide exactly how to fill it.

Efforts to liberalise financial services, in particular, may pose an early test of the WTO's role as a bargaining arena. Though multilateral negotiations started in the middle of last year, they have yet to get under way in earnest - and participants have set a July 1 deadline for agreement.

Close observers are cautious about the prospects, which may hinge on US success in persuading Japan and other Asian countries to open up their markets. Says one: "I don't see much sign of movement so far. The main priority may be to avert complete breakdown."

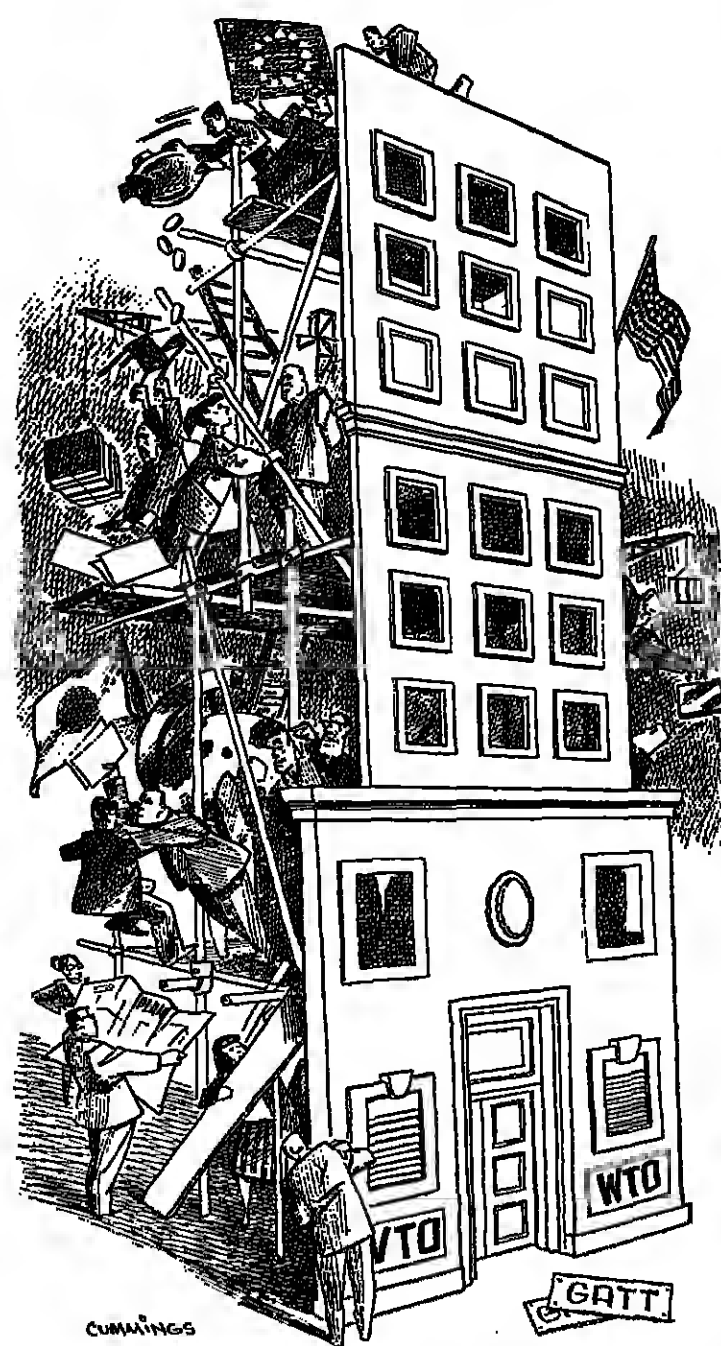
The talks may also test the feasibility of another WTO ambition, to end omnibus trade rounds by developing into a permanent negotiating forum. Though negotiators dread the thought of another lengthy ordeal like the Uruguay Round, some question whether it will be possible in the WTO to generate the complex linkages and sense of urgency needed to achieve substantial breakthroughs.

Much the most pressing challenge confronting the organisation, however, is to be in new procedures for settling international trade disputes. "Ensuring the procedures work and command confidence is crucial to everything," says a senior trade official. "If their authority is once eroded by a big trading power, that will be the end of the WTO."

Effective resolution of trade conflicts is important not only for international harmony. It is the most critical and politically sensitive factor underpinning the cohesion of the international trade system and governments' respect for its rules and disciplines.

Gatt's record on this score was mixed. Countries regularly disregarded adverse rulings by disputes panels, while the US has cited the inadequacy of Gatt mechanisms to justify its aggressive use of unilateral trade weapons against Japan and other trading partners.

In the WTO, the system should be



faster, fairer and more efficient. Parties to conflicts will no longer be entitled to prevent disputes panels being set up, choose their members or block rulings that go against them. There will be more scope for retaliation against countries which ignore rulings, and an independent body is planned to hear appeals.

These improvements have not stopped the US - long the most frequent target of complaints in Gatt - from placating congressional critics by appointing a committee of federal judges to review WTO dis-

putes rulings. Opinions remain divided over whether the committee is more likely to undermine the WTO's authority by second-guessing its decisions, or to strengthen it by providing an additional seal of approval.

It is widely agreed, though, that if the new mechanisms are to have an impact, they must quickly establish a reputation for judicial rigour, impartiality and a sure grasp of technical detail. Particularly critical critics by appointing a committee of federal judges to review WTO dis-

body, to be chosen early this year.

Some observers expect the prestige and novelty of the jobs to attract a rich field of applicants. Others fear good candidates may be deterred by the modest remuneration offered: a \$5,000 retainer and a \$500 daily fee for 60 days' work a year.

But however impeccably decisions are taken, what really counts is making them stick. In an organisation like the WTO, the core of which is a set of voluntary contracts between sovereign governments, that comes down to a question of political acceptability.

As the Uruguay Round ratification debate in the US Congress underlined, maintaining a broad international consensus is a delicate task. Many trade experts believe it is likely to become even more difficult as the scope of global liberalisation expands and thrusts more deeply into sensitive areas of domestic policy, such as the environment and the treatment of foreign investment.

This trend, they warn, risks arousing mounting resistance from protectionist forces unless the WTO takes steps to entrench its legitimacy more broadly. A priority, they say, is to strip away the cocoon of monastic secrecy that shrouded the Gatt and expose the organisation's workings to public scrutiny.

So far, though, the US is the only government to campaign for more openness. Others are cautious or hostile. Some object that greater transparency could give non-governmental organisations, such as environmentalists, the right they have long sought to participate directly in world trade policymaking.

Governments have long used Gatt to collude in private against their domestic pressure groups," says one official in Geneva. "Allowing the greens in could thwart liberalisation by opening the doors to farmers and all kinds of lobbies opposed to free trade."

The nature of the WTO's relationships with the outside world is also at the centre of another contentious issue: how should the priorities for the future world trade agenda be set and their implementation assured? To a large extent, the question turns on the role of the future WTO leader.

Many negotiators in Geneva believe the job should be largely administrative and focus on making the machinery tick over smoothly. Says one: "In this organisation, the members will do most of the work, and most of them are determined to keep policy formulation to themselves."

Many trade policy experts, however, think the challenges ahead require the WTO leader to play a more assertive role. As well as giving the organisation a high public profile, this would include generating new ideas, actively building consensus and persuading heads of government to accept politically difficult decisions.

In the final analysis, though, it will be up to governments to decide what sort of WTO they want, and the shape of the world trade system it presides over. In the words of Professor Robert Hudec of Minnesota University, a leading authority on international trade law: "Those of us who have watched Gatt operate for years have long realised that political will is everything."

on December 1, a few weeks more to canvass support.

If he won more backers, particularly in Asia, the hope is that Mr Kim would gracefully withdraw. The final decision would then come down to haggling between Brussels and Washington, which strongly favours Mr Salinas.

If that proves impracticable, however, the only option may be to scrap the contest and start again. In that event, any pretence of holding an open race would probably be abandoned in favour of behind-the-scenes wheeling and dealing between the WTO's bigger members.

Regional power struggle

one with broadly based support.

So far, however, that hope has been disappointed. Instead of unifying the new organisation, the contest has hit deadlock, reviving old rivalries and provoking new ones.

Of the three candidates, Mr Renato Ruggiero, a former Italian trade minister and the EU's champion, claims the widest support. He says he is backed by more than 70 countries in Africa and the Middle East as well as in Europe.

The remaining WTO members are

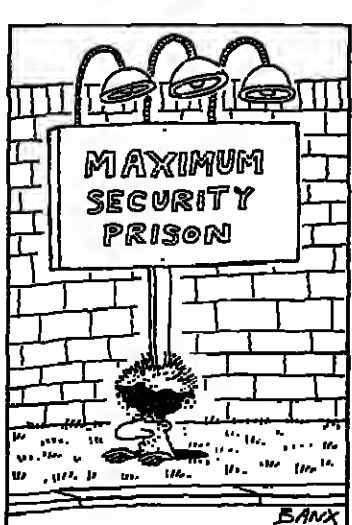
said to divide more or less evenly between former president Carlos Salinas of Mexico, whose support is confined to the Americas, and Mr Kim Chul-sa, South Korea's trade minister, who has found little favour outside Asia.

However, Mr Ruggiero's opponents are not ready to concede victory. They argue that much of his support is from countries with a minuscule share of world trade and has been politically orchestrated by Brussels.

Critics say Mr Ruggiero's campaign has made much use of the EU's preferential trade and aid links with the developing world, while his claims to victory on the basis of having a majority of "votes" ignore the fact that the final decision must command a consensus among all WTO members.

Prospects for ending the impasse may rest on an informal understanding to allow Mr Salinas, who was unable to campaign actively until he stepped down as president

OBSERVER



But the current chancellor is much more of a fiddler. Having set a record with last year's Finance Act - at 461 pages it was the longest ever act of Parliament - this year's final version is likely to top 400 pages since it is unknown for Parliament to produce a Finance Act shorter than a Finance Bill. And the condition of the economy? Getting fatter of course.

Boris's boys

For those confused about who is running Russia these days - their ranks are growing - the Russian-language weekly magazine

Moscow News highlights six politicians to watch this year. They are: the president's head of security, his pedagogue (Oleg Soskovets is the first deputy prime minister); his nasal adviser, wittily termed a "Nosovets" by the magazine; and the president himself.

Our money's on a seventh - the president's travel agent.

Leif me alone

Exercise caution when calling the ambulance services in Norway: they're mighty vigilant. An entirely healthy Norwegian - identified only as "Leif" in the Oslo newspaper Verdens Gang - was picked up by an ambulance crew who went to the wrong address.

"I tried to protest when the ambulance came, but then I was told that from then on they were making the decisions and that I had no say in it," he said. The crew was supposed to pick up another man, with the same name, from the same village. Could happen to anyone.

On the map

No problem finding where Zee TV, the Hindi-language satellite service which is rescuing London-based TV-Asia, is hanging out: Hinde Street, a stone's throw from Broadcasting House in London. Zee, whose Indian parent of the

same name has revolutionised broadcasting in India, is part-owned by Rupert Murdoch. But finding its own way in the increasingly crowded ethnic cable and satellite market will be rather more of a challenge than studying London's A to Z street atlas.

Unfair play

Staff at the UK's Sports Council spent a surprisingly quiet day yesterday. They had expected a rush of applications for National Lottery funds. After all, between November 18 and Christmas they had more than 12,000 inquiries and at least 100 formal bids arrived even before the bidding opened.

But yesterday only a handful of bids arrived, by registered delivery. Where was all the rest? David Carpenter, head of the council's planning team, has "a sneaking suspicion that there's a sizeable sack hidden somewhere".

Suspicion has fallen on striking Post Office workers. Or maybe the Australian cricket team has been at work?

Hard cell

Suggestion to flustered Home Office mandarins endeavouring to dig their boss Michael Howard out of the hole in which he finds himself. Set up a committee. Its working title? The Penal League for Howard Reform.

Republicans hail 'amazing' day

The balance of power formally shifted in Washington at 1.35 yesterday afternoon, as Congressman Newt Gingrich from Georgia became the first Republican in 40 years to wield the Speaker's gavel and call the House of Representatives to order.

But it was Newt the emotive rather than the doctrinaire conservative who then delivered his 30-minute maiden address. He read at length from his *Contract with America*, the Republican election manifesto, but also commended past and present Democrats beyond number for all they had done for the country, especially ending segregation.

He promised an on-line, televised open House which would vote faster - and deliberately more publicly. Republicans would go away for weekends to consult with the black and hispanic caucuses, whose funding he proposes to eliminate. "This is a society of civil behaviour," he proclaimed.

Jurek Martin sees the start of the 104th US Congress

His election victory 16 minutes earlier over Congressman Richard Gephardt of Missouri had been a formality, but it was imbued with a nice touch of history. The new House, sworn in shortly after noon, cast its vote the old-fashioned way, by voice, rather than by the electronic device in daily use.

Mr Gingrich was then sworn in as Speaker by the Democratic dean of the House, Mr John Dingell from Michigan, a liberal warhorse with 38 years of service.

Before launching his chamber into a busy day of changing its many rules, the word that had crossed Mr Gingrich's lips most frequently in breakfast interviews, at a press conference, and even, soundlessly, as he stood on the podium listening to Mr

Gephardt, was "amazing".

"The sense of being part of history and part of the romantic myth of this country... it's just one of the most amazing things I've ever been through." He started early, on Capitol Hill before dawn, reveling in every moment. He promised co-operation and confrontation with the White House.

Over in the Senate, where they have seen all these things before, including a Republican majority in President Ronald Reagan's first six years, there was less of the whiff of conservative revolution in the air. Vice-president Al Gore performed his constitutional duties and swore in the newly-elected senators before banding over the gavel not to Senator Robert Dole, the new

majority leader, but to Senator Strom Thurmond from South Carolina, 91 years old and intent on breaking all records for longevity.

Only in one respect did Mr Gingrich's day not proceed according to plan. He allowed himself to be incensed at what he called the "despicable conduct" of Ms Connie Chung, the CBS anchorwoman in extracting from his mother the confession that her son was wont to describe Mrs Hillary Clinton with an epithet identical to that used by Mrs Barbara Bush. "I can't say the word," the previous First Lady once said of Mrs Clinton, "but it rhymes with rich."

Mr Gore's ceremonial role apart, the Democratic administration adopted a mostly politically correct low profile. President Bill Clinton himself was back home in Arkansas, attending the dedication of an elementary school named after him.

Ruling on lead in water may cost EU companies \$24bn

By Haig Simonian,
Environment Correspondent,
in London

Water distribution companies in the European Union would have to spend up to Ecu20bn (\$24bn) on new pipes to meet higher water quality standards proposed in a draft directive passed by the Commission yesterday.

If the new rules are extended to households, the investment required may rise to Ecu70bn. The bulk of the burden, nearly Ecu20bn according to informal industry estimates, would fall on France, Italy and the UK, the other countries most affected, would have to spend more than Ecu14bn and Ecu13bn respectively.

The investment will be needed to meet new rules drastically reducing the level of lead in drinking water. High quantities of lead are a serious health risk, according to the World Health Organisation.

The new directive, still to be passed by the European Parlia-

ment and the Council of Ministers, proposes cutting the level of lead to 10 microgrammes per litre from 50 microgrammes a litre.

The impact will be greatest in areas of soft water, which is more corrosive, such as the north-west of England and the Midlands, according to Mr Don Raftery, a spokesman for the Water Services Association of England and Wales. Towns with a relatively high proportion of lead pipes, such as the large urban conurbations which grew quickly during the industrial revolution, will also be affected.

The new standard represents the first revision of the EU's water directive passed in 1980. Research has since found additional hazards from lead, prompting the WHO to recommend the 10 microgrammes per litre limit.

The new ruling was welcomed by the WSA and the Water Companies Association, the two UK water industry groups. Mr Mike Swallow, director of the WCA, which brings together the 20 smaller water companies in the

UK, said the ruling represented "sound science, but pragmatically applied".

A spokesman for Lyonnaise des Eaux, France's second biggest water distribution group, said the company was still studying the new ruling, which had come as no surprise.

Water distributors are expected to be given 15 years to replace lead piping. In the UK, most mains pipes have been replaced by pipes of plastic, copper, or steel lined with concrete.

Critics questioned the proposal as it excludes pipes in individual households, where about three quarters of the estimated spending will be required.

The Commission's decision not to extend the directive to households stems from sensitivity to the huge investment involved.

About three-quarters of the estimated Ecu70bn to meet the new standard for lead stems from households, with the remainder coming from the water distribution industry.

Yeltsin

Continued from Page 1

is a member, will meet on January 12 to discuss how it can help bring an end to the bloodshed.

Mr Alain Juppé, the French foreign minister, yesterday said: "We have a right to demand explanations at the OSCE. I have contacted our 14 partners of the European Union so that we turn to Russia and ask Russia to give an explanation," he said.

Mr Douglas Hurd, US foreign secretary, said on a visit to Bangladesh that the Russians "know of our concern and our anxiety".

Spain

Continued from Page 1

put short-term rates at levels appropriate to preventing inflation risks perceived in the months ahead.

Underlying inflation has remained unchanged at 4.4 per cent year-on-year between July and November. Markets anticipate a sharp price rise this month because of a 1 per cent rise in VAT and higher taxes on fuel, cigarettes, and alcohol.

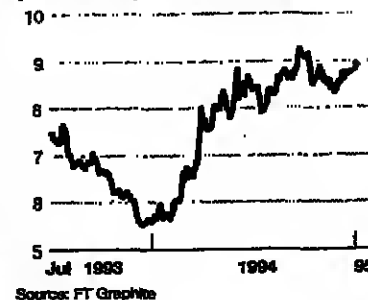
THE LEX COLUMN

Short rate riddles

FT-SE Index: 3051.6 (-14.1)

Interest rate expectations

For December 1995
(as indicated by short sterling futures)



Source: FT Graphite

Something is awry in short sterling futures. Most City economists believe that three-month interest rates will range from 7.5 per cent to 8 per cent by the year-end. Yet the December 1995 short sterling future contract suggests a figure a shade below 9 per cent. The margin between the two can be explained by fear and politics. A wide differential has existed since mid-1994. It was encouraged by futures hedging by building societies and banks against strong demand for fixed-interest mortgages. Several securities houses spotted the apparent anomaly. However, they suffered losses when the government demonstrated its willingness to put up base rates to pre-empt inflation. Though many still feel an anomaly exists, few are now prepared to bet on it.

One key to the outcome will be inflationary expectations. Economic recovery has been carried on the back of an export boom, and there are signs of capacity constraints among manufacturers. Nonetheless, Christmas retailing appeared weak and the housing market is flat. Recent statistics on money supply and manufacturing prices have also added to a picture of limited inflationary pressure.

This brings in the greater uncertainty of politics. Some believe that, with an election due in 1997, the government will want to bring interest rate pain forward to 1995. Some interest rate manipulation is likely, and the outcome will be critical for UK markets. But the futures market interpretation seems to err too far towards political expediency, as against economic reality.

Spain

The Bank of Spain needed just four days of new-found freedom before it raised rates. Although the increase was higher and earlier than expected, the bank should not be too disappointed by the market's muted reaction. The bond market's initial rally was supported by the strong anti-inflationary message of the increase. Its subsequent fall was due to the weakness of German bunds. Since Madrid's Bolsa index is peculiarly interest rate sensitive, the failure of equities to make meaningful advances was not surprising.

Yesterday's move is an encouraging start. Further flexing of the bank's anti-inflationary muscles later this year should bolster its credibility. That would support the bond market: 10-year bonds currently yield 11.8 per

cent, four percentage points above German bunds. If the bank can convince investors about inflation prospects, the peseta, which has depreciated 20 per cent against the D-Mark in two years, could also be due for a rally. A swift recovery by equities, down nearly 11 per cent in the past year, is less likely. There is better value elsewhere in Europe: earnings growth in Spain this year is expected to be half that in Germany.

A rally in bonds or the peseta will depend on a resolution of the political crisis. Although any government replacing the present administration is likely to profess better inflationary credentials, elections would undermine confidence. But if Mr Felipe Gonzalez can ride out the next few weeks, the subsequent controlled tightening of rates should steady the markets.

UK electricity

Trafalgar House's £1.2bn bid for Northern Electric has sent the share prices of fellow regional electricity companies to dizzy heights. Stockbrokers are busy touting other possible bid targets. If takeover prospects were the main argument for holding rec shares, now would be the time to sell. Trafalgar's bid stands a good chance of being referred to the Monopolies and Mergers Commission. That would knock rec shares, even though few expect the deal to be blocked.

However, the main case for owning recs is not bid possibilities but the scope for increasing shareholder value by floating off the National Grid and gearing up balance sheets. On this basis, there is still value in the sector.

Trafalgar's bid has put a value of £3.4bn net on the Grid. If the recs geared up their balance sheets to 80 per cent, a further £2bn-plus could be handed back to investors through large dividends or share buy-backs. If such sums are subtracted from the recs' combined market capitalisation of £17bn, the implied price/earnings ratio for the core business falls to single figures.

This is not an argument for buying recs aggressively. Not only is there a risk of a windfall profits tax by an incoming Labour government, rec managements have yet to demonstrate the will to unlock shareholder value fully. Still, one consequence of the Trafalgar bid is that they now have every incentive to do so, or risk predators doing the job for them.

Gas/telecoms

The UK's privatised utilities are facing a barrage of criticism that is obscuring the benefits to shareholders of the current restructuring. Such has been the fate this week of both British Gas's plan to offer discounts to those paying bills by direct debit but to charge others more and British Telecom's increase in standing charges. Both schemes should benefit shareholders and some customers but have been condemned by consumer groups.

Every move to improve Gas's efficiency is now discussed in the light of the 75 per cent salary rise of Mr Cedric Brown, the chief executive. For shareholders, the damage is not that they are paying an excessive salary but the possibility that Gas will seek to avoid further bad publicity by slowing down reforms. These are necessary to cut costs and prepare for increasing competition in its markets. Discounts for those paying by direct debit provide a weapon to prevent rivals poaching its best customers.

With BT, the reaction is less extreme, partly because chairman Sir Iain Vallance's big salary rises occurred a few years ago. Still, lower transatlantic call rates have done little to stem the criticism of higher standing charges. Such tariff "rebalancing" is good for some customers while bad for others. But for shareholders it is an unmitigated benefit. Not only does it focus price cuts where competition is toughest, but lower call charges are stimulating overall market growth. The high salaries among utility executives will be justified if they continue with such reforms despite the bad publicity.

China orders pirate products boycott

By a Correspondent in Beijing
and Nancy Dunne in Washington

China stepped up its efforts yesterday to ease a trade rift with the US over copyright infringement by announcing a national boycott on pirate products.

It said it planned to tighten its law on protecting intellectual property rights.

Following raids on factories violating domestic copyrights, Beijing has mounted a public relations initiative to avert trade sanctions threatened by Washington against \$3.8bn in Chinese exports. The US had said it would impose punitive tariffs on certain Chinese exports from February 4 unless Beijing strengthened

copyright enforcement.

China said it would retaliate by sharply increasing tariffs on some US imports and hindering market access to US businesses.

Negotiations in the copyright trade dispute were broken off by the US in mid-December after Washington said there was no point in continuing in the absence of a serious Chinese offer. Both sides, however, hold out hope of a settlement in talks expected later this month.

China has to date failed to meet American demands to rein in copyright infringement. Much of the pirated products have come from state-owned or military related companies, filling the Chinese market with compact

and laser discs, computer software, videotapes and books.

Washington wants up to 29 plants in southern China to be closed to prevent production of up to 80m illicit compact discs yearly, mostly for export. Beijing has said it cannot close many factories because of its declining control over the southern provinces, where piracy is widespread, and interference from municipalities which own the plants.

The US has demanded "immediate and effective measures" and market access for US products which are being counterfeited. It has also called for an effective customs administration.

A report by the official Xinhua

news agency said the State Copyright Administration ordered a nationwide boycott against violating companies.

The news agency said the changes would co-ordinate the protection of owners of foreign copyrights and their Chinese counterparts.

Beijing has denied claims that US publishing, film, software and music companies lose \$827m a year in copyright violations. Xinhua says that just 20 US copyright infringement suits have been filed with Beijing's special intellectual property rights court.

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Editorial Comment, Page 11
Dreams behind scenes, Page 11

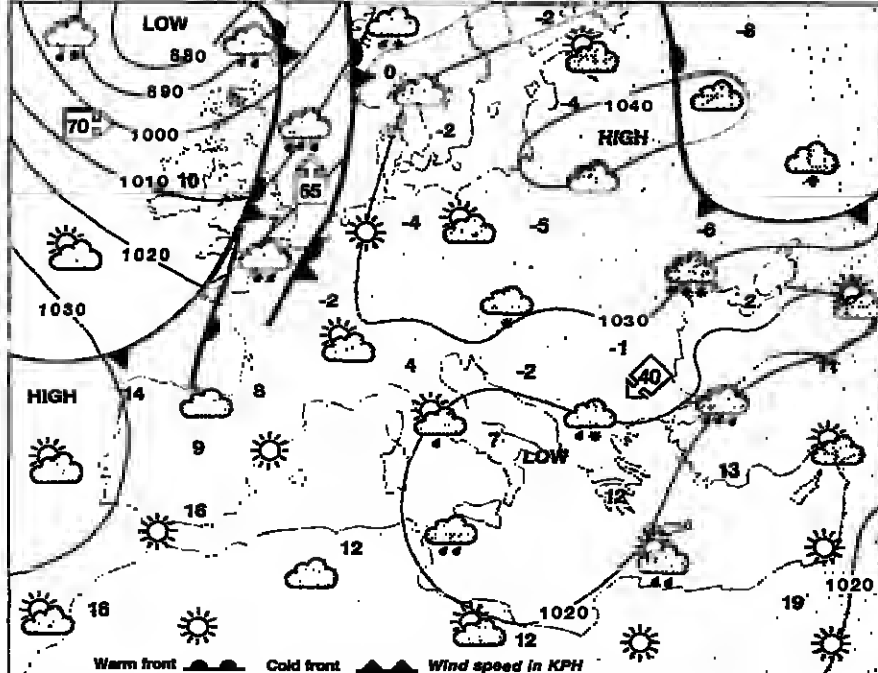
FT WEATHER GUIDE

Europe today

A large high pressure system stretching from Russia to Spain will continue to bring rather settled and cold conditions to central Europe. Abundant sunshine is expected in southern Scandinavia, Germany and the Low Countries as well as central and eastern France. Temperatures will be below freezing. Cloud and widespread rain is expected in the UK, western France and north-west Spain. Central and southern Spain will be sunny but temperatures will only range between 9C and 15C. Rain or snow is expected on the Norwegian coast but the rest of Scandinavia will be dry with a mixture of sun and cloud. South-east Europe will have snow in the north and rain in Greece and Turkey.

Five-day forecast

Frontal systems crossing the British Isles will not reach central Europe. Unsettled conditions are expected over the UK with outbreaks of rain and occasional gale-force winds in the north. Temperatures will continue below freezing in much of central and eastern Europe. Mild and moist air with some rain will cover Scandinavia. Spain will have sunny periods but south-east Europe will remain unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Location	Temperature
Abu Dhabi	31
Algiers	12
Amsterdam	12
Athens	12
Atlanta	12
B. Aires	28
B. ham	8
Bangkok	34
Barcelona	8
Beijing	1
Belfast	1
Belgrade	4
Berlin	1
Bombay	31
Buenos Aires	28
Budapest	1
Chengdu	1
Cairo	19
Cape Town	27
Cardiff	1
Casablanca	18
Chicago	1
Cologne	1
Dallas	1
Delft	1
Dubai	25
Dublin	10
Dubrovnik	7
Edinburgh	10
Faro	17
Frankfurt	1
Geneva	1
Gibraltar	1
Glasgow	1
Hamburg	1
Helsinki	1
Hong Kong	22
Honolulu	27
Istanbul	10
Jakarta	30
Jersey	1
Karachi	28
Kuwait	21
La Paz	1
Las Palmas	26
Lima	1
Lisbon	15
London	1
Luxembourg	1
Lyons	1
Madrid	1
Manila	25
Medan	25
Melbourne	1
Mexico City	1
Miami	1
Moscow	1
Munich	1
Nairobi	1
Nagasaki	1
Nassau	1
New York	1
Nice	1
Osaka	1
Paris	1
Perth	1
Prague	1
Rangoon	30
Reykjavik	1
Rio	1
Rome	1
S. Francisco	1
S. Paulo	1
Singapore	30
Stockholm	1
St. Petersburg	1
Sydney	1
Taipei	1
Tel Aviv	1
Tokyo	1
Toronto	1
Vancouver	1
Venice	1
Vienna	1
Warsaw	1
Washington	1
Wellington	1
Winnipeg	1
Zurich	1

Frankfurt,
Your hub to the heart of Europe.
Lufthansa

sappi limited

SDW Acquisition Corporation

a company formed by an investor group
led by Sappi Limited
has acquired

S.D. Warren Company

from
Scott Paper Company
for a consideration of
US\$1,600,000,000

S.G. Warburg acted as financial adviser
to Sappi Limited in connection with this transaction
and the associated financing

S.G. WARBURG

S.G. Warburg Group plc
Investment Banking and Asset Management
London, New York, Tokyo

Amsterdam, Auckland, Bangkok, Boston, Chicago, Frankfurt, Geneva, Hong Kong, Istanbul,
Johannesburg, Kuala Lumpur, Luxembourg, Madrid, Melbourne, Milan, Montreal, Moscow, Osaka, Paris,
Sao Paulo, Seoul, Singapore, Stockholm, Sydney, Taipei, Toronto, Vancouver, Warsaw, Wellington, Zurich

INTERNATIONAL COMPANIES AND FINANCE

Vital Forsikring shares suspended after surge

By Karen Fossell
in Oslo

Vital Forsikring, the Norwegian life insurance and pension group, yesterday asked for trading in its shares on the Oslo bourse to be suspended following a steep rise in their price.

This followed speculation that the group was in talks with a foreign insurer over a merger or co-operation deal, and belief that it was ripe for takeover.

The shares can remain suspended for 21 days before the company must call for trading to be resumed.

Mr Bjoern Elvestad, president, said there would not be an announcement before next week but this did not imply that a deal with a foreign insurer would be unveiled.

The group must decide whether to have one owner or several shareholders following liberalisation of foreign ownership of Norwegian companies, a result of the European Economic Area (EEA) agreement between the EU and the European Free Trade Association, of which Norway is a member.

Vital has a co-operation agreement with Swiss Life which it has said it may expand. Swiss Life holds 5.35

per cent of Vital's share capital. The pact gives Vital access to Swiss Life's product distribution network, and international companies and Norwegian companies outside Norway.

Immediately before the suspension, Vital's shares were up NKr2.50 from Tuesday's close at NKr7.7, and have risen 12 per cent since December 28. In the same period, the market overall has risen 0.1 per cent while the insurance sub-index has increased 2.5 per cent. Since the end of November, Vital's shares have advanced nearly 20 per cent.

Mr Elvestad attributed spec-

ulation to Vital's recent decision to merge its two classes of restricted and unrestricted shares into one class, clearing the way for expansion of foreign ownership or a potential foreign takeover. Many Norwegian groups are merging shares.

The EEA agreement allows foreigners to acquire Norwegian financial companies if an ownership concession from the finance ministry is obtained.

For nearly six months Vital has been reviewing options for structural changes. This process was stepped up in October when plans to expand co-operation with Den norske Bank,

Norway's highest bank, were thwarted when the bank formed a life insurance group.

Vital is considering expansion of product distribution links with other domestic financial companies.

It may also seek co-operation or capital from an international insurer.

About 27 per cent of Vital's share capital is currently held by foreigners.

Brokers said Vital had held talks with Aegon of the Netherlands and Zurich Insurance, but Skandia of Sweden dismissed speculation that it was interested in links with the company.

Sony forms video games subsidiary for Europe

By Alice Rawsthorn

Sony, the Japanese electronics group, is expanding its interactive entertainment interests by creating a new subsidiary to launch its video games systems in Europe.

The subsidiary, Sony Computer Entertainment (Europe), will be run by Mr Chris Deering, a former senior executive at Columbia TriStar Video International, the video division of Columbia and TriStar, the US movie studios acquired by Sony four years ago.

One of the first projects for SCE (Europe) will be the European launch of the PlayStation, the compact disc-based video games system introduced by Sony in Japan last autumn.

The PlayStation is one of the new generation of 32-bit video games, which are more powerful and sophisticated than 16-bit cartridge console games.

Sony claims to have sold more than 100,000 PlayStation units on the product's first day on sale in Japan. It plans to launch the system in the US and Europe later this year, probably in early autumn.

The launch of SCE (Europe) comes at a time when Sony and its competitors in the electronics and entertainment industries are anxious to expand into the highly interactive entertainment market.

Walt Disney, the US entertainment company, last month announced the formation of an interactive entertainment division. Time Warner of the US and Pearson, the UK media group which owns the Financial Times, have recently made acquisitions in the games software field.

These companies, like Sony, hope to benefit from the transition from 16-bit cartridge console games towards the new disc-based systems.

The £14bn (\$21.8bn) global games market, which grew rapidly in the late 1980s, has slowed in anticipation of the launch of the new games.

Sales are expected to increase again once the new formats come on stream.

Dispute on tariffs delays flotation of Czech Telecom

By Vincent Boland in Prague

The Czech government yesterday added a fresh note of uncertainty to its plans to sell a 27 per cent stake in SPT Telecom, the national telephone operator, by delaying for at least a month an international tender due to have been completed in March.

The delay is the result of a dispute between the finance ministry, which is charged with preparing the new tariff policy, and SPT over future price levels for telephone calls. It comes less than a week after SPT's chairman, Mr Jiri Makovec, was deposed amid allegations of irregularities in the awarding of contracts.

The tariff policy will have a crucial bearing on the price to be paid for SPT in the tender, because it will govern price rises and determine the company's profitability and turnover up to the end of the decade. The 27 per cent stake is unofficially valued at up to \$1bn, but the final price will be decided by future call charge rates.

SPT wants a significant rise in local call charges to help finance a proposed Kcs130bn

(\$4.7bn) investment programme up to 1998. The finance ministry says the level of investment will be much less, probably around Kcs70bn, requiring a less steep price rise.

Long distance and international charges, currently among the highest in Europe, are expected to be reduced under the new policy.

The government has already rejected a draft tariff policy that is understood to have kept local charges relatively low. Mr Jiri Domansky, director of economic policy at the telecommunications department at the finance ministry, said a revised formula should be ready in two weeks.

Ten leading international telecommunications groups are vying for the stake in SPT, in the biggest telecoms deal so far in eastern Europe. They include AT&T, Ameritech, Deutsche Telekom, PTT Telecom Netherlands, Stet International, and a consortium of Bell Atlantic and France Telecom.

They have each paid \$100,000 for a range of pre-bid documents on SPT.

Rio Algom buys Alcan distribution division

By Robert Gibbons in Montreal

Alcan Aluminium is selling its US metals distribution businesses to Rio Algom, the former Canadian arm of RTZ.

Alcan's Metal Goods division is fully owned by its main US subsidiary Alcan Aluminum.

The division handles steel, aluminium nickel alloys, brass and copper through 39 outlets across the US and employs 650. Sales in 1994 were almost US\$500m.

The acquisition will double Rio Algom's profitable Atlas metals distribution business in Canada, the US and Mexico.

Rio also owns 61 per cent of a profitable Australian and New Zealand metals distributor.

Mr Colin Macaulay, Rio president, said the deal fitted its expansion strategy in metals, while the company would continue to develop its base metals mining operations in north and south America.

Neither Alcan nor Rio would disclose the price being paid for Metal Goods.

Mr Raymond Goldie, metals analyst with Richardson Greenshields of Canada, said Alcan is concentrating on its worldwide smelting and fabricating businesses, while Rio will benefit from economies of scale and rationalisation.

In the first nine months of 1994, Rio's metals distribution business provided C\$615m (US\$442.4m) out of total revenues of C\$852m, and the rest came from mining. Net profit was C\$45.2m, or 89 cents a share, against C\$22.7m, or 71 cents, a year earlier.

The metals distribution business will now have annual volume of around C\$1.2bn.

Earnings dip 9.5% at Banca del Gottardo

By Ian Rodger
in Zurich

Banca del Gottardo, in which Sumitomo Bank of Japan has a majority interest, has reported a 9.5 per cent decline in non-consolidated net earnings in 1994 to SFr57m (\$43.4m).

The Lugano-based bank said it suffered from reduced share dealing commissions, especially in the second half, a decline in trading profits and squeezed interest margins.

Cash flow fell by 10 per cent to SFr136.5m but bad-loan provisions were cut to SFr53.4m from SFr65m.

Total assets rose 2.8 per cent to SFr7.7bn.

The group said it would publish a consolidated income statement at the end of March, and it predicted that consolidated net income would be SFr61m, down 6 per cent.

The directors are recommending an unchanged dividend of SFr25 per share and participation certificate.

Philip Morris unites domestic food units

By Richard Tomkins
in New York

Philip Morris, the US food and tobacco group, yesterday announced a reorganisation in which all its North American food businesses will be merged into a single unit called Kraft Foods.

The new structure will dissolve the existing arrangement under which the group's Kraft and General Foods subsidiaries operate separately in North America, duplicating many functions.

Kraft and General Foods are two of the world's biggest food manufacturers. Kraft's brands

include Kraft cheese products, Philadelphia cream cheese and Oscar Meyer hot dogs, while General Foods' brands include Maxwell House coffee, Jell-O jellies and Shredded Wheat breakfast cereal.

In 1993, the two companies had combined worldwide revenues of \$30.4bn, of which \$21bn came from North America.

Philip Morris acquired General Foods in 1985 and Kraft in 1988. After the Kraft acquisition, Philip Morris quickly merged the two food companies' operations internationally, but it adopted a more cautious approach to the merger of the much larger US

operations. That appears to have changed with the appointment last month of Mr James Kilts as head of Philip Morris's food businesses worldwide. Mr Kilts is understood to have been keen to drop the evolutionary approach to the merger of the US operations in favour of a speedier combination.

Kraft said yesterday the two companies' purchasing had been combined - it had already announced plans to unite manufacturing.

The main functions remaining to be merged are the headquarters operations and the sales force.

About 100 jobs may be lost

through the merger of the companies' corporate offices, but no decisions have yet been taken about possible job losses among the sales workforce of 3,500.

Kraft did not spell out what cost savings it expected from the merger. It said the main reason for the move was not to cut jobs or reduce costs, but to increase the effectiveness of the food businesses - for example, by improving customer service and speeding up decision-making.

The move was welcomed by Wall Street. Philip Morris's shares rose 3% to \$58 in early trading amid a falling market.

Indian broadcaster takes over TV-Asia

By Khozem Merchant

TV-Asia, the troubled London-based satellite television company, is being taken over by the Zee television group, India's leading private-sector broadcaster.

Zee TV International, the overseas arm of the Bombay-listed Zee Telefilms, plans to buy out the majority shareholding of Mr Ketan Somaiya, the Dubai-based Kenyan businessman, for about £10m (\$15.6m).

The friendly takeover, initiated by Zee and concluded after a year of negotiations, is the first move in Zee's global strategy to launch dedicated

channels aimed at south Asians in three geographical areas: Europe, North America and South Africa.

Zee's move provides a lifeline for TV-Asia, which has had financial and management problems since its launch in July 1992. For the 16-month period to September 1993, pre-tax losses totalled £8.65m on a turnover of £3.5m. Zee's takeover is the fourth change in ownership at TV-Asia since its launch.

The takeover could increase co-operation between TV-Asia and the UK's BSkyB satellite channel, as both parties share a common ultimate ownership. BSkyB is part owned by Mr

Rupert Murdoch, the media magnate who also holds a 50 per cent stake in Zee TV, which is based across India on the Murdoch-owned Star satellite service.

The new UK entity makes market sense, say analysts. TV-Asia, which has about 70,000 subscribers, and Zee target the same audience and offer similar programming in the same south Asian languages, besides English.

Zee has a proven record in television and is part of India's Eitel trading and manufacturing conglomerate.

"Our view was there there was no room for two in the UK market," said Mr Digvijay

Singh, executive director of Zee TV.

Mr Somaiya, who took control of TV-Asia in the summer of 1993, heads Dolphin, a Dubai-based diversified trading and banking group chaired by Lord Parkinson, former UK Conservative party chairman.

Mr Somaiya's interests in his native Kenya include the Kenya-based Delphis Bank, which bought the local branches of the Bank of Credit and Commerce International following its collapse in July 1991.

Mr Somaiya's other interests include hotels and one of Kenya's biggest touring companies. See Observer

Saab misses sales target but sees profit

By Hugh Carnegie
in Stockholm

Saab Automobile, the Swedish carmaker managed and half-owned by General Motors of the US, fell short of its target for car sales in 1994, but still achieved a 20 per cent increase which is set to deliver the company's first full-year profit for six years.

Saab said preliminary figures showed total unit sales worldwide reached around

39,000, a jump from 73,600 in 1993. Though ahead of the original target of 67,000 unit sales, this was less than the figure of up to 85,000 anticipated in the late summer.

The lower total was put down to production delays and other delivery problems. But Saab said the rise in sales, led by strong demand for the 900 saloon launched in mid-1993, was sufficient to ensure a full-year profit.

Mr Keith Butler-Wheelhouse,

Saab's British chief executive, said: "We have now set our sights on reaching the 100,000 mark in 1995."

Saab last sold more than 100,000 cars in 1989, the year in which GM bought a 50 per cent stake in the company from its co-owner, Sweden's Saab-Scania. It last made a full-year profit in 1988. The company has since run up accumulated losses of more than SKr11bn (\$1.5bn) and swallowed more than SKr6bn in new capital.

However, at the nine-month stage this year it reported a pre-tax profit of SKr24m, a SKr1.3bn improvement on the same period in 1993.

Volvo, Saab's bigger Swedish rival, said yesterday that unit car sales in the US, its biggest single market, had risen 12.1 per cent in 1994 to 81,788. Increasing sales for both cars and trucks helped Volvo to report record profits of SKr12.7bn in the first nine months of 1994.

Air Hong Kong cuts fleet and reveals annual deficit

By Simon Holberton
in Hong Kong

Air Hong Kong, an air cargo operator recently acquired by Cathay Pacific, yesterday said it was facing financial difficulties and would be reducing its fleet of Boeing 747 transports to two from three.

The airline, in which Cathay took a 75 per cent interest last June, has already quit the charter cargo market and sold a Boeing 707 transporter. It plans to concentrate on cargo routes to Europe and Japan.

Cathay is believed to have paid HK\$300m (US\$35.9m) for its interest in Air Hong Kong, an airline founded by Mr Stanley Ho, the Macao casino

tycoon, who has retained a 25 per cent stake in the company.

China Southern, a Chinese airline based in Canton, was interested in acquiring Air Hong Kong but was prevented from doing so by the Chinese government. This intervention was seen by analysts as positive for Cathay, whose position in Hong Kong after 1997 has been questioned.

Cathay said yesterday that Air Hong Kong had made substantial losses last year, but it believed there was a role for Air Hong Kong as a separate air cargo operator out of Hong Kong.

Cathay said it hoped the company might be able to break even this year.

HK start-up costs blamed for Pacific Century loss

Pacific Century Regional

Developments, the insurance-to-property company partly owned by the Pacific Century group, said its recent interim loss had stemmed from the cost of developing its Hong Kong insurance subsidiary, Top Glory Insurance Co (Bermuda). Reuter reports from Singapore.

Responding to queries from the Stock Exchange of Singapore (SES) about its \$821m (US\$14.5m) loss for the six months to September 30, PCRD said it had been "due mainly to the high up-front expenses incurred by Top Glory".

PCRD's interim loss, reported on December 29, compared with an operating profit

of \$44.5m a year earlier and came on a 1 per cent rise in turnover to \$849.5m.

PCRD is 45.7 per cent-owned by Pacific Century Group, a private company held by Mr Richard Li, son of Hong Kong tycoon Mr Li Ka-shing.

Top Glory, which recently said it aimed to become Hong Kong's third-largest life insurer, is seen by analysts as a vehicle for Mr Richard Li's insurance ambitions in the region, especially China.

Top Glory stirred controversy in Hong Kong when Mr Andrew Yang, former chief executive of the colony's second largest life insurer, National Mutual Asia joined it early last year.

Tokai Bank plans London derivatives unit

By Eniko Terazono
in Tokyo

Tokai Bank, a Japanese commercial bank, announced plans to set up a new derivatives subsidiary in London this month.

Tokai said Tokai Derivative Products, which will be capitalised at £100m (\$156m) is to be set up in line with risk management and disclosure guidelines of leading ratings agencies.

The bank said it had received informal confirmation from Moody's Investors Service and Standard & Poor's, the US credit rating agencies, that the subsidiary would be given triple-A ratings.

The new derivatives unit will serve as an intermediary between the derivatives markets and other Tokai's London-based subsidiaries. By owning a highly-rated subsidiary, Tokai Bank, which is rated A minus by Standard & Poor's, hopes to play a more central role in global derivatives markets, and enhance its group image within the international financial community.

Analysts expect other Japanese banks, which have been struggling with downgrades of their international credit ratings since the early 1990s, to follow Tokai's lead.

MIM head announces surprise resignation

By Nikki Tait in Sydney

MIM Holdings, one of Australia's biggest mining companies, said yesterday that Mr Norman Fussell, its chief executive, would resign with effect from tomorrow.

The surprise announcement was made after the Australian stock market had closed. There is no immediate replacement for Mr Fussell. MIM said it would name a successor "shortly" and that its chairman, Mr Bruce Vaughan, would act as chief executive in the interim period.

In a statement to the stock exchange, Mr Fussell, 57, implied that health concerns and the travel demands of the job had contributed to his decision.

"There comes a time in one's working career when it

becomes necessary to move from the heavy demands associated with a chief executive's position and to look more to enjoyment of life and one's health," he said.

His departure comes after a difficult period for MIM, whose share price made little overall progress in the five years to end-1993. The Queensland-based company responded by unwinding its large and much-criticised international investment portfolio, saying it would concentrate on core mining activities.

That process is now largely complete, and a number of big new mine developments - including the McArthur River, Cannington and Ernest Henry projects in Queensland, and the Bajo de la Alumbrera in Argentina - are either in the planning or development stage.

Notice of Early Redemption

HMC MORTGAGE NOTES 4 PLC

£150,000,000 Class A
(the "Class A Notes")

and

£9,000,000 Class B
(the "Class B Notes")

Mortgage Backed Floating Rate Notes Due August 2021

In accordance with Condition 6(d)(i) of the Class A Notes and Condition 6(c)(i) of the Class B Notes, Noteholders are hereby notified that all outstanding Notes will be redeemed in full on the next interest payment date of February 15, 1995. Payment of the principal amount of the Class A Notes and the Principal Amount Outstanding of the Class B Notes together with any interest due will be made against the surrender of the Notes at any Paying Agent listed below.

PRINCIPAL PAYING AGENT AND AGENT BANK
The Chase Manhattan Bank, N.A.
Woolgate House, Coleman Street, London EC2P 2HD

PAYING AGENTS

Banque Paribas S.A. (Luxembourg)
24 Avenue de la Liberté, L-1050 Luxembourg

Chase Manhattan Bank (Switzerland)
5 Rue Pléiades
L-2338 Luxembourg-Grand

Chase Manhattan Bank (Geneva)
63 Rue du Rhône, CH-1204 Geneva, Switzerland

By: The Chase Manhattan Bank, N.A.
London, Principal Paying Agent and Agent Bank
January 5, 1995

EUROPEAN DEPOSITARY RECEIPTS (EDR) BEARER DEPOSITARY RECEIPTS (BDR)

Issued by
Morgan Guaranty Trust Company of New York
Brussels Office

Dividend	Payment Date	Coupon number	Gross amount	Net amount (-15% tax)	Net amount (-20% tax)
Asahi Chemical Industry BDR (1,2,3,4)	23/12/94	43	USD 0.5964	USD 0.5080	USD 0.4787
Honda Motor Co BDR (1,2,3)	18/12/94	39	USD 0.0895	USD 0.0820	USD 0.0572
Mitsubishi Electric BDR (1,2,3,4,5,7)	18/12/94	48	USD 4.9820	USD 4.2347	USD 3.9558

Paying Agents:

A. Morgan Guaranty Trust Company of New York
(1) New York, 30 West Broadway
(2) Brussels, 28 Avenue des Arts, 1040 Brussels
(3) London, 60 Victoria Embankment
(4) Paris, 14 Place Vendôme
(5) Frankfurt, 48 Meissen-Laboratory

B. Banque Générale du Luxembourg, 14 Rue d'Alger, Luxembourg
C. Crédit Industriel d'Alsace et de Lorraine, 103 Grand Rue, Luxembourg

EDR and BDR holders who wish to and are entitled to receive payment of dividend under deduction of 15% Japanese withholding tax must provide the depositary a declaration of residence by March 15, 1995.

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Nacional Financiera, S.N.C.

US\$100,000,000 Collared floating rate notes due 1998

Notice is hereby given that the notes will bear interest at 7.25% per annum for the period from 5 January 1995 to 5 July 1995.

Interest payable on 5 July 1995 will amount to US\$182.26 per US\$5,000, US\$4.51 per US\$10,000, US\$3.64 per US\$100,000 notes.

Agent: Morgan Guaranty Trust Company
JPMorgan

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DIVIDEND NOTICE

Agnico-Eagle Mines Limited Dividend #15 of 10 cents (U.S.) a share, is payable January 24, 1995 to shareholders of record January 10, 1995.

Dated this 5th day of January, 1995.

Barry Landen Secretary
Toronto

AGNICO-EAGLE

FLEMING FLAGSHIP FUND

45, rue des Sables, L-1229 Hémeld, Grand-Duché de Luxembourg
R.C. Luxembourg B 8478

Notice to shareholders

Notice is hereby given that the following dividend will be paid:

Fund: FFF-Fleming Sterling Bond Fund
Currency: GBP
Amount/share: 0.019
Payment date: 10.01.1995

The shares will be quoted ex-dividend as from 3 January 1995.

Paying Agent in Luxembourg:
Kreditbank SA Luxembourg (KBL), 43 Boulevard Royal, L-2955 Luxembourg.

Paying Agent in Germany:
Berliner Handels- und Bankverein AG, Beckenhofstrasse 10, D-60333 Frankfurt/Main.

Paying Agent in Belgium:
Banque Dewasay SA, Boulevard Anspach 1, B-39, B-1000 Bruxelles.

Paying Agent in Italy:
Banca Commerciale Italiana SpA, Corso di Porta Nuova 7, I-20121 Milano.

Paying Agent in Austria:
Creditanstalt-Bankverein Aktiengesellschaft, Technisches Zentrum, Julius-Tandler-Platz 3, A-1090 Wien.

January 1995, The Board of Directors
FLEMINGS

هذه احدى النسخ

INTERNATIONAL CAPITAL MARKETS

Record trading volume for Liffe and Matif in 1994

Liffe and the Matif, Europe's two biggest futures and options markets, yesterday reported record trading volumes in 1994, confirming the current strength of international derivatives exchanges.

Earlier this week the world's two highest exchanges, the Chicago Board of Trade and the Chicago Mercantile Exchange also reported record years.

Growth has been concentrated in interest rate products, demand for which has surged as a result of rising rates and volatility in the world's bond and money markets.

Trading volumes at Liffe increased by 50 per cent to reach 153,034,471 contracts, while Matif reported a 29.3 per

cent increase in trading volume to 93,437,147 contracts.

At the CME volume rose 40 per cent, to a record 208m contracts. December was the second-busiest month ever, with 20m contracts changing hands.

In the midst of a volume race with the Chicago Board of Trade, the CME changed its method of counting contracts last year. By this more liberal measure the exchange said its volume was 238.3m contracts in 1994.

The CBoT reported a 23 per cent increase to 219m contracts in 1994. The CBoT's December volume, at 13.7m, was up 8 per cent from the previous December.

Mr Daniel Hodson, chief executive of Liffe, said the

market's performance in the first half of the year had been "quite exceptional". During 1994 daily volume at Liffe rose to 607,280 contracts, representing annual daily turnover of £132.7bn.

DERIVATIVES

Liffe set a daily record on March 2 1994 of 1.6m contracts and on 12 days during the first quarter of the year Liffe traded more contracts than any other derivatives exchange in the world.

Since the first half, growth had slowed. Mr Hodson estimated volume was currently increasing at an underlying rate of 20 per cent and predicted growth of between 10

per cent and 20 per cent in 1995.

Trading in Italian lire and D-Mark-denominated products showed the fastest growth, with three-month eurofutures increasing by 134 per cent and Italian government bond options up by 71 per cent.

Trading in Liffe's long gilt future grew by 61 per cent and short sterling futures by 37 per cent. The FT-SE 100 index future and options and the FT-SE 250 futures contract grew by 36 per cent and 39 per cent respectively.

Open interest, the best indicator of liquidity and long-term use of the market, settled at 3,144,159 contracts on December 30 1994.

At Matif, average daily volume in 1994 was 373,749 lots and average open interest represented 1,473,536 contracts, a 3.6 per cent increase compared with 1993. The National cleared its position as the most heavily traded future in Europe with a 36.3 per cent increase over 1993, totalling more than 50m contracts and a daily average of more than 300,000 lots.

The options on the National future posted the highest growth rate of all Matif contracts with a 55 per cent increase in volume. Average open interest stood at 600,000 contracts. Trading in the CAC-40 future contract saw a 26.3 per cent progression, averaging 30,000 daily lots.

Both the Japanese and German futures exchanges have also reported record volumes for 1994.

Trading volumes at the Tokyo International Financial Futures Exchange (Tiffe) also rose to record highs last year. Annual volume of 38,034,963 contracts was 57.7 per cent greater than in 1993.

The Deutsche Terminbörse saw an increase of 17.9 per cent to 59,280,630 contracts.

In order to meet rising demand, several exchanges, including Liffe and the CBoT, have announced plans to expand trading space this year.

Richard Lapper and Laurie Morse

Gilts edge higher as Treasuries stage recovery from lows

By Graham Bowley in London and Lisa Branstetter in New York

UK gilts pushed cautiously higher in thin trade yesterday, buoyed by strength in US Treasuries and outperforming other European bond markets.

GOVERNMENT BONDS

The 10-year yield spread between gilts and German government bonds narrowed to 122 basis points from a close of 131 on Tuesday, with dealers reporting some switching out of European markets into gilts.

The long end of the gilt yield curve performed particularly strongly, dealers said. However, further progress is limited by the threat of supply hanging over the market from four existing tap stocks in the five- to 18-year areas and an auction at the end of this month.

The March long gilt future on Liffe was up 1/4 point at 100 1/2 in late trading.

German bunds moved lower in subdued conditions and are expected to remain in a tight trading range before US employment data due to be released on Friday.

Dealers reported switching by investors from shorter-dated to longer maturities as they adopted a more defensive stance in anticipation of rises in short-term interest rates later in the year. However, the Bundesbank is unlikely to change short-term interest rates at today's council meeting, analysts said.

The March bund contract on Liffe was down 0.04 points at 98.72 in late trading.

Elsewhere, Spanish government bonds ended the day slightly down, in spite of a sharp rally in early trading following a rise in short-term interest rates. Italian government bonds fell back on disappointment over lack of progress in resolving the country's current political problems.

US Treasury prices bounced off Tuesday's lows as the dollar firmed against the Japanese yen and the D-Mark.

By midday, the 30-year government bond was up 1/4 at 98 1/2 yielding 7.876 per cent. At the short end, the two-year note rose 1/4 to 99 1/2, yielding 7.656 per cent.

There was little fresh economic data and volumes were light as traders held positions in advance of important employment figures due tomorrow.

The market showed little reaction to figures released at mid-morning showing that November construction expenditure had risen 0.7 per cent, slightly more than economists' expectations of a 0.5 per cent rise. Still, the figure was down from October's 0.9 per cent increase.

Instead, traders focused on the rising dollar. By late morning, the dollar had risen to Y101.36 and DM1.561 from Y100.67 and DM1.551 late on Tuesday.

Tuesday's market was troubled by a report from the National Association of Purchasing Management that showed the prices paid component of its December index of business activity at a 14-year high.

The main index, however, showed the pace of growth in the manufacturing sector down from November.

S African bank seeks \$75m loan

By Martin Brice

First National Bank of Southern Africa is seeking a \$75m loan on the international syndicated lending market, marking the country's increased access to global capital markets since the end of apartheid.

The loan, which is due to be launched into general syndication today, is believed to be the first public syndicated loan for South Africa to be structured without recourse to trade receivables.

FNB was advised by Henry Aschbacher, its merchant banking subsidiary, and the one-year loan is being arranged by Fuji Bank. There is a commitment fee of 20 basis points, and the loan has a margin of 55 basis points over the London Interbank offered rate, plus maximum participation fees of 10 basis points for an amount of \$10m.

Heavy issuance leads to fears of overhang

By Martin Brice

A flood of issues caused another hectic day in the euro-bond market as borrowers yesterday took advantage of favourable swap opportunities for shorter maturities and strong retail demand.

INTERNATIONAL BONDS

One dealer said: "I think we are all surprised by the ferocity of the market." Another said: "The market cannot absorb this. We need to see some absorption of this paper."

Dealers said that more than \$5bn of issues had emerged within two days but only about 25 per cent of that had been placed, leaving more than \$3.5bn of bonds overhanging the market.

Much of yesterday's paper followed the trend of short-dated dollar issuance aimed

at retail investors. However, the largest of yesterday's dollar deals was aimed at institutional investors for Salie Mae, the US Student Loan Marketing Association, by IBI and Nomura.

This caused comment from other houses as two Japanese banks had won a mandate to bring the year's first global dollar deal from a US borrower.

The \$500m, two-year deal was said to have found firm demand from central banks in the Middle East and Asia, and Japanese investors in the US.

The \$400m offering from AT&T via CSFB was the longest-dated dollar deal, with a five-year maturity, which other houses said had met good demand from both retail and institutional investors.

Two UK building societies came to market - Birmingham and Midshires via NatWest Markets, and Abbey National with an offering via Deutsche

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book runner
US DOLLARS							
Salie Mae	500	7.875%	100.00%	Feb 1997	0.125%	+307 1/2-98	IBI Int'l, Nomura Int'l
AT&T	400	8.25%	100.072%	Jan 2000	0.275%	+307 1/2-98	CS First Boston
GMAC	250	8.50%	100.072%	Jan 1998	0.25%	+307 1/2-97	CS First Boston
ONK	200	8.00%	101.10%	Jan 1997	1.125%	+187 1/2-98	Swiss Bank Corp.
GECC	200	8.00%	99.88%	Jan 1997	0.125%	+307 1/2-98	Nikko Europe
DSL Bank	200	8.25%	99.93%	Feb 1997	0.15%	+307 1/2-98	HSC Markets
Deutsche Bank	200	8.00%	99.907%	Feb 1997	0.125%	+187 1/2-98	Paribas Capital Markets
STERLING							
Birmingham Midshires B/S	200	6.11%	99.856%	Apr 1998	0.125%	-	NatWest Markets
Abbey National	150	6.375%	99.89%	Dec 1998	0.125%	-	SG Warburg Securities
SWISS FRANKS							
GECC	300	6.25%	102.30%	Feb 1998	1.25%	-	UBS
European Sovereign Inv	100	5.50%	102.50%	Feb 2002	2.50%	-	Banka del Gottardo
LB Schwab-Holstein	100	5.50%	102.75%	Jan 2000	2.00%	-	Credit Suisse
ITALIAN LIRE							
Orléans Local de France	300m	5.00%	92.45%	Jan 1997	1.125%	-	Comptoir d'Escompte
BNP	11.125	101.57%	Feb 2000	1.75%	-	-	Deutsche Bank London
Abbey National Treasury Services	200m	11.25%	101.325%	Feb 1998	1.375%	-	Deutsche/HSC/San Paolo
ECUS							
GECC	150	8.25%	100.072%	Jan 1998	0.20%	+57 1/2-98	Swiss Bank Corp.
BNP	8.125	99.905%	Dec 1998	0.25%	-	-	Barclays de Zieles Wedd
AUSTRALIAN DOLLARS							
NSW Treasury Corp	200	4.50%	97.18%	Jan 1998	1.375%	-	Nomura International
ESCUROS							
Eurofina	100m	(f)	100.00%	Jan 2005	unfixed	-	Banka Pourtaud de Inv.

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. A: Unfixed. Floating-rate note. B: Semi-annual coupon. C: Fixed at offer price; less shown at re-offer level. At Long 1st coupon. D: Long last coupon. E: Callable on any coupon date from Apr 97 at par. F: 3-month Libor +3.5p. G: Short 1st coupon. H: Fungible with Euro150m. Plus days accrued. Spread relates to French Govt STAN's. I: 3-month Libor +15p.

Bank, HSBC and San Paolo which was said to have met good demand from investors in the Benelux region, Germany and Italy. Deutsche Bank also

brought a bond for Eurofina which was also targeted at Benelux investors.

Dealers noted that the two-year \$200m deal for Schles-

wig-Holstein was launched on Tuesday at 40 basis points over US Treasuries and yesterday tightened in to around 35 basis points over.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

	Coupon	Red	Day's	Week	Month
		Out	Change	Change	Change
Australia	6.50%	98.94	-0.27	0.19	0.16
Belgium	7.75%	100.4	-0.05	0.48	0.33
Canada	9.00%	120.4	-0.02	0.20	0.10
Denmark	7.00%	120.4	-0.02	0.10	0.04
France	8.00%	100.37	-0.19	0.81	0.28
Germany	8.00%	100.37	-0.19	0.81	0.28
Greece	7.50%	100.37	-0.19	0.81	0.28
Italy	8.00%	100.37	-0.19	0.81	0.28
Japan	4.00%	100.37	-0.19	0.81	0.28
Netherlands	7.25%	100.37	-0.19	0.81	0.28
Spain	10.00%	100.37	-0.19	0.81	0.28
UK Gilts	8.00%	100.37	-0.19	0.81	0.28
US Treasury	8.00%	100.37	-0.19	0.81	0.28

US INTEREST RATES

	One month	Three month	Six month	One year	Two year	Three year	Five year	Seven year	Ten year
Prime rate	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Banker's rate	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Federal funds	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
10-year T-bill	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875	7.875

BOND FUTURES AND OPTIONS

France

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	106.72	106.54	-0.08	106.82	106.50	115,548	131,280
Jun	109.04	108.96	-0.08	109.06	108.90	321	2,842
Sep	108.48	108.30	-0.08	108.48	108.36	71	1,065

Germany

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	98.81	98.74	-0.02	98.84	98.66	99,718	178,006
Jun	98.20	98.14	-0.02	98.20	98.20	28	1,408

UK Gilts Prices

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	106.72	106.54	-0.08	106.82	106.50	115,548	131,280
Jun	109.04	108.96	-0.08	109.06	108.90	321	2,842
Sep	108.48	108.30	-0.08	108.48	108.36	71	1,065

Italy

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	99.05	98.98	-0.02	99.03	98.91	228,955	453,322
Jun	100.11	100.24	+0.17	100.26	100.07	39,936	59,933
Sep	100.11	100.24	+0.17	100.26	100.07	39,936	59,933

Spain

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	84.10	84.02	-0.03	84.50	84.01	26,548	47,519

UK

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	100.11	100.24	+0.17	100.26	100.07	39,936	59,933
Jun	100.11	100.24	+0.17	100.26	100.07	39,936	59,933
Sep	100.11	100.24	+0.17	100.26	100.07	39,936	59,933

Japan

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	98.20	98.14	-0.02	98.20	98.20	28	1,408
Jun	98.20	98.14	-0.02	98.20	98.20	28	1,408
Sep	98.20	98.14	-0.02	98.20	98.20	28	1,408

Other Fixed Interest

	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	98.20	98.14	-0.02	98.20	98.20	28	1,408
Jun	98.20	98.14	-0.02	98.20	98.20	28	1,408
Sep	98.20	98.14	-0.02	98.20	98.20	28	1,408

FT-Actuaries Fixed Interest Indices

	Jan 4	Jan 3	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24
1 Up to 5 years (24)	118.62	+0.08	118.68	1.50	0.51	5 yrs	8.89	8.73	8.70
2 5-15 years (22)	136.05	+0.25	136.08	2.31	0.00	15 yrs	8.58	8.61	8.61
3 Over 15 years (9)	154.62	+0.27	154.20	1.85	1.19	20 yrs	8.53	8.56	8.57
4 All stock (61)	126.33	+0.20	126.79	1.97	0.37		8.69	8.60	8.62

Average gross redemption yields are shown above. Coupon Bands: Low 0%-7.5%; Medium 7.5%-10.5%; High 10.5% and over. P: Flat yield; Y: Yield to date. *Due to technical problems, indices for 30 December 1994 were incorrect. For corrected indices please see FT Statistics on 01/01/95.

FT Fixed Interest Indices

	Jan 4	Jan 3	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24
Govt. Secs. (UK)	90.80	90.77	90.87	91.03	90.01	106.46	107.04	88.54	
Fixed Interest	105.53	105.53	105.53	105.71	105.84	130.59	233.87	106.50	

FT/ISMA International Bond Service

	Issued	Bid	Offer	Chg.	Yield	Issued	Bid	Offer	Chg.	Yield
Abbey National Treasury 7 1/2	1000	98 1/2	98 1/2	-	8.53	Abbey National Treasury 8 1/2	1000	99 1/2	99 1/2	8.53
Alm Invest 7 1/2	1000	98 1/2	98 1/2	-	8.53	Alm Invest 8 1/2	1000	99 1/2	99 1/2	8.53

Bank Nord Germanen 7 9/16	1000	95 1/2	96	8.12	World Bank 8 1/4 00	_____
Bank of Tokyo 6 1/2	1000	100	100 1/2	8.32	_____	_____
Belgium 5 1/2 33	1000	82 1/2	82 1/2	8.40	SWISS FRANC STRAITS	_____
BRCE 7 1/2, 97	150	89 1/4	89 1/4	8.12	Asian Dev Bank 1 10	_____
British Gas 0 21	1500	10 1/2	11 1/4	8.62	Austria 4 1/2 00	_____
Credit 9 98	1000	101 1/4	101 1/2	7.90	Central Europe 4 1/2 98	_____
Overseas Hong Fin 5 1/2 98	500	87 1/2	88 1/2	8.53	Denmark 4 1/2 99	_____

COMPANY NEWS: UK

Bain Hogg sells US operations for \$50m

By Ralph Atkins, Insurance Correspondent

Bain Hogg, the insurance broking arm of Inchcape, has sold most of the operations of Bain Hogg Robinson, its US subsidiary, to Acoria, the Indianapolis-based insurance broker, for \$50m (\$22.3m).

Bain Hogg said the move was part of its plans to form a strategic alliance with Acoria, the world's eighth largest insurance broker, with the aim of strengthening the service it could provide to clients in the increasingly competitive US market.

Further details about a joint venture between Bain Hogg and Acoria are expected to be announced in the first half of this year.

Acoria is to acquire the

parts of Bain Hogg Robinson responsible for general commercial broking, employee benefits consulting, and the administration of workers' compensation schemes.

Bain Hogg will keep parts of its US operations responsible for the administration of medical insurance, and some small "start-up" businesses. In total, the US operations made pre-tax profits of about \$750,000 on revenues of \$44m in 1993.

Bain Hogg said the sale of the US businesses would help strengthen its links with Acoria. The US operations were acquired by Inchcape, the motors, marketing and services company, when it bought the Hogg Group last year.

Analysts expressed scepticism about the value of any strategic alliance. But Mr

Roman Cizdyn, insurance analyst at Smith New Court, said: "US retail broking is a difficult market. Profit margins are low, and this is probably sensible rationalisation for Bain Hogg."

Acoria, a network of companies providing insurance broking, managed care administration and consulting services, had revenues of \$358m (\$165m) in 1993.

Inchcape has said in the past that it would float off Bain Hogg as a separate company in the next few years, arguing that most large international insurance brokers operate independently.

However, the group said yesterday that its emphasis currently was on building global businesses and in making Bain Hogg as attractive a proposition as possible.

Next enjoys buoyant Christmas

By Neil Buckley

Next, the UK fashion retailer, yesterday revealed an unexpectedly strong performance over the Christmas period.

With many clothing retailers thought to have had a difficult time from October to December, owing to the warm weather, Next appears to have bucked the trend.

In a surprise statement, issued after the stock market had closed yesterday, Next said high-street sales since August were 17 per cent ahead of the previous year and mail order sales were 35 per cent ahead. The figures indicated a further improvement in trading since Next's interim results statement in September reported that group sales were up 13 per cent.

Sales volumes in its high street stores were 20 per cent ahead, although selling prices had averaged 3 per cent lower, following a planned reduction in gross margins. Selling space had increased by 2 per cent.

The sales rise in Next Directory, the mail order division, was due partly to a 10 per cent increase in customer numbers.

Next, which has had customers queuing to get into its stores during the post-Christmas sale, said most of its sale stock would have been cleared by the end of this week. That leaves it free to launch its spring range next week.

Analysts were surprised by the fall in gross margins, but said the sales figures were ahead of expectations. Mr Nick Bubb, retail analyst at Morgan Stanley, said he was keeping his pre-tax profit forecast for the full year at £102m, but some analysts, whose forecasts were below £100m, are expected to raise them.

Special factors add to strong underlying sales trend

Allied Domecq sees spirits surge

By Roderick Oram, Consumer Industries Editor

Allied Domecq's UK sales of Teacher's whisky and other premium brands of spirits and fortified wines surged in the week before Christmas, the drinks group announced yesterday.

Its trade sales volume was two and a half times greater than in the same period of 1993 and 1992. Several special factors were at work, but the underlying trend was still very positive, said Mr Michael Dane, chief executive of Hiram Walker Agencies.

Allied's drinks distributor.

The trend of consumers leaving their drinks purchases until nearer Christmas was one factor. The latest period also benefited from six shopping days in the last week before Christmas.

There was little evidence, however, that consumers were stocking up ahead of the January 1 increase in excise duty. Mr Dane added.

Several other leading drinks producers said they had enjoyed a positive Christmas, with a strong final week, but they expressed surprise at the scale of Allied Domecq's

upturn. Distillers, such as Guinness, Grand Metropolitan and Highland Distilleries, said they were not planning trading statements.

"We don't comment until we get all the market information in towards the end of February," said Mr Brian Ivory, chief executive of Highland Distilleries, producer of Famous Grouse, the second biggest selling Scotch. Guinness will make its first comments about Christmas when it publishes year-end results on March 23.

Competitors said Allied Domecq had been an aggressive discounter before Christmas.

mas, offering, for example, 53 off a pair of its spirits bottles. The company said, however, that some brands, such as Flax's sherries, had enjoyed a premium to competing brands.

UK spirits account for about 20m, or 4 per cent, of Allied Domecq's annual pre-tax profits, one analyst estimated. Its shares have weakened recently, following the devaluation of the Mexican peso. If the peso and Allied's Mexican volume remain at current levels, the devaluation could cost it some £2m in pre-tax profits in the year ending February, 1996, he added.

Speculation mounts over prospects for shares in BSKyB

By Alice Rawsthorn

Speculation is mounting about the prospects for the shares of BSKyB, the recently floated satellite television venture, when they start to trade freely on the stock market after the official stabilisation period ends tomorrow.

BSKyB has been clouded by controversy since announcing plans for its £4.4m stock market debut last month in London and New York.

Analysts were sharply divided over the company's value - with estimates ranging from £2.8m to £4.8m. They are again split over the outlook for the shares next week after the end of the stabilisation period, whereby Goldman Sachs, global co-adviser, has been able

to support them for 30 days after the flotation.

Ms Louise Barton, media analyst at Henderson Crompton, is today publishing a "sell" note on BSKyB. She was bearish about the company before the flotation and now forecasts a sharp fall in the unsupported shares to 200p.

Conversely Ms Rebecca Wintington-Ingram, media analyst at Morgan Stanley, is optimistic about the company. She yesterday published a positive note on BSKyB advising investors to buy the shares up to 250p.

BSKyB's shares rose immediately after its flotation but have since slipped back to their initial price of 250p.

The shares closed yesterday at 255 1/2p.

Stanhope sells housebuilding offshoot to McAlpine

Stanhope, the property developer struggling to avoid receivership, has sold a housebuilding subsidiary, Stanhope Cambridge, to Alfred McAlpine for an undisclosed sum.

Stanhope Cambridge and McAlpine were to have jointly undertaken a development west of Cambridge involving 3,000 houses and a business park. Under the terms of the acquisition, Stanhope has an option to purchase the latter part of the development.

The company refused to comment yesterday about its continuing negotiations with creditors banks and potential buyers, namely British Land. Stanhope's banks, which are owed about £145m, withdrew credit facilities on December 23.

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Pillar acquires properties in London and Manchester

By James Whittington

Pillar Property Investments, the investment and development company which joined the stock market in August, yesterday announced it had acquired properties in Manchester and London for £23.3m.



Raymond Mould: offices were likely to be filled quickly.

In central Manchester, two adjacent office buildings, Churchgate House and Lee House, with an area of 240,000 sq ft, were bought from Team Services for £20m. The pair earn a total of £1.7m in annual rent. This will increase Pillar's current rent roll to £27m a year on properties with a book value of £30m.

Pillar said vacant space in Lee House, which yielded 8 per cent against its purchase price, was guaranteed by Team. There were already offers for some of the 40,000 sq ft of vacant space in Churchgate,

which yielded 12.5 per cent against its price.

Mr Raymond Mould, chairman, said the offices had a prime location in the city centre and through active management were likely to be filled quickly.

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In London, Pillar has paid £3.3m for a development building in Piccadilly. A further £375,000 is payable to the vendor on gaining planning approval. The company plans to refurbish the property to provide 14,300 sq ft of office space by early 1996.

Since its successful flotation, Pillar has spent almost £70m in property and development acquisitions, including deals with its joint venture partner, the Canadian investment fund, SITQ.

The company's shares rose 2p yesterday to close at 150p.

Analysts expressed confidence that Pillar's strategy of maximising the value of its property assets by adding value with refurbishments and active management was the best policy against a continuing weak property market.

Forte sells two more small hotels for £2.5m

By Geoff Dyer

Forta's plans to dispose of small, provincial hotels which do not fit into its UK brand structure took a further step yesterday with the sale of a hotel in Swindon, Wiltshire and one in Basingstoke, Hampshire.

Industry sources believe the consideration is about £2.5m. Analysts estimate that the group has raised £40m from the sale of 23 hotels in its current financial year to end-January.

The two hotels - the 62-bed Red Lion Hotel in Basingstoke and the 65-bed Goddard Arms Hotel in Swindon - have been acquired by Management Services International, the Newbury-based private hotel group and leisure consultancy. Forte still has two hotels in both towns.

Three years ago, Forte identified about 30 smaller hotels which were not suitable for the new brands it devised for its UK portfolio of hotels. Fifteen of these have been sold so far - 10 in the current financial year.

The company said that the sales were an indication that there was some strengthening in the UK market.

It has also sold 13 Travelodge hotels in the US in 1994-95, 8 of which were joint ventures. Unlike the UK hotels it has sold, many of these were loss-making.

Forte stressed that it had made more acquisitions than disposals this year, including the £1.82bn (£217m) purchase of the Meridian chain of 55 hotels in November. It has also opened 22 Travelodge hotels in the UK and 60 Travelodge franchises in the US.

Zovirax licence 'critical' for Wellcome's US partnership

By Daniel Green

A decision next week by the US Food and Drug Administration on whether to license Wellcome's best-selling drug Zovirax as a non-prescription drug was "critical" for the company's relationship with Warner-Lambert, its new US partner, Mr James Cochrane, Wellcome's European operations director, said yesterday.

New data on the drug will be presented to a joint meeting of the FDA's Antiviral Drugs and Non-prescription Drugs Advisory Committees on January 12. Their recommendations are usually accepted by the FDA.

Wellcome conceded that it might be forced to return to the committee at a later date if committee members raised questions.

If Zovirax is not approved for non-prescription over-the-counter sales ahead of the expiry of Zovirax's US patent in 1997, the joint venture with Warner-Lambert will have to be renegotiated.

Wellcome shares fell 14p to 680p yesterday.

The venture, Warner-Wellcome Consumer Healthcare Products, formed last year, has annual sales of more than £1.6bn (£1.02bn) in north America, Europe and Australasia.

Wellcome also announced that Panorex, a cancer drug, had been approved in Germany. This is the drug's first approval and it marks an important step forward for the technology behind it, monoclonal antibodies.

The drug is licensed from Centocor, the US biotechnology company in which Wellcome has a 5 per cent stake. Centocor will make Panorex and Wellcome will distribute it.

Germany had put the drug through an accelerated approvals process and it was likely to be another three years before Panorex was approved in other countries, said Wellcome.

Monoclonal antibodies have had few product approvals following great excitement in the drugs industry over their potential in the 1980s.

Issues raised in a warning letter in September from the FDA to Wellcome about its US production plant had been resolved after inspection by the FDA late last month, Wellcome said.

However, the company received a further warning letter on December 2 for heavy marketing of an unapproved drug, Lamictal, an epilepsy treatment. It received FDA approval last week.

TJ Hughes sales ahead

TJ Hughes, the discount department store operator based in north-east England, said sales in its 13 stores over the Christmas period had exceeded expectations, with a record performance in the week before Christmas.

Continuing strong growth in like-for-like sales in the second half meant that the results for the year to the end of January should confirm market expectations. Panmure Gordon, the company's broker, is forecasting pre-tax profits of £1.8m.

In the year to January 29 1994, profits increased by 9 per cent to £1.6m.

The share price yesterday added 2p to 82p.

Weir buy for C\$5m

Weir Group, the Glasgow-based pumps and engineering products concern, is acquiring Montreal-based Brian Controls for C\$5.2m (£2.4m) from Sweden-based Axel Johnson.

Brian sells and services instrumentation and control equipment. Weir said it would complement the activities of Peacock in Canada.

Standard Life

In Wednesday's FT it was incorrectly reported that Standard Life had been fined by the regulators for poor training standards or financial issues. Standard Life has not been fined on these or any other issues.

New World sold to Italian white goods group for £12.6m

By Richard Gourlay and Andrew Baxter

New World Domestic Appliances, the Warrington-based maker of gas cookers, has been sold to an Italian white goods group for double the amount paid by a management buy-in team to Blue Circle Industries less than six months ago.

Merloni Domestic Appliances, whose parent Merloni Elettrodomestici owns the Ariston, Indesit and Scholtes white goods brands, has paid £12.6m for New World.

In August a buy-in team led by Mr Mike Hassall and backed by Murray Johnston, the private equity investor, paid £2.6m for New World which had lost £10m over the previous four years.

The deal gives Merloni Elettrodomestici its first UK manufacturing base and one of the UK's longest established and best-known cooker brands. It

continues the gradual concentration of ownership in Europe's white goods sector.

The rapid turnaround of New World under its new management will be a source of some embarrassment for Blue Circle. Within six weeks of the buy-in, the new management had cut one third of the staff, almost all of them at a management level, Mr Hassall said. The company almost immediately returned to profitability.

New marketing managers also improved relations with British Gas, New World's largest customer which accounts for more than half of its sales.

The company's improved performance also meant it has repaid the £2m of debt taken on at the time of the buy-in.

New World was part of Birimid Quakast, which Blue Circle bought for £330m in 1988.

New World will strengthen Merloni's overall position in the UK white goods market,

where it is already the third largest supplier.

Merloni said the deal marked "a new level of stability" for New World after 12 months of change and upheaval. It looked forward to continuing the "success and prosperity" achieved at New World since the acquisition from Blue Circle.

Merloni said it was too early to comment on manning levels at New World, and it could be months before detailed plans for the future of the Warrington plant were determined. But the Italian company expects to invest more than £10m in New World in the next three years.

New World sells about 140,000 cookers a year, and also produces gas fires and various enamel, raw material. Merloni Domestic Appliances, Merloni's UK sales company, sells about 600,000 cookers, refrigerators, freezers, dishwashers, washing machines and tumble driers annually.

French TV production group acquires Antelope

By Alice Rawsthorn

Antelope, the London-based television production company, has been acquired by Tele Images, a French television production and distribution group.

Tele Images, which was founded in 1983, is controlled by a group of French investors, including Havas, the media group, Banque Worms, and

Banque Nationale de Paris. It is best known for its drama series and television films.

Antelope, founded in 1979, specialises in documentaries, including The Heart of The Dragon for Channel 4 and Portrait of the Soviet Union for Turner, the US broadcasting group. It has been expanding its international interests in recent years, with co-production deals in the US and Japan.

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Pentex plans early dividend

By Robert Corzine

Pentex, a Scottish-based oil exploration and production company, joins the London stock market today.

Unlike many E&P companies, Pentex is "primarily a production company," according to Mr Henry Cameron, an Aberdeen lawyer who is executive chairman. As such, it intends to pay a dividend, possibly as early as next year.

In 1993 Pentex made pre-tax profits of £4.1m on turnover of £24m. In the first six months of

1994 it achieved £1.28m, on turnover of £10.7m.

Production of 7,000 barrels a day is adding between two onshore fields, which the company owns and operates, and minority stakes in several North Sea fields.

The company is not seeking to raise finance through the listing. But Mr Cameron said it would give Pentex weight when dealing with big oil groups and would help it to grow by acquiring additional producing assets. Pentex wanted to make acquisitions

valued at between \$10m and \$30m by the end of the year.

There was also the possibility of adding substantial reserves through further exploration around its existing assets. Mr Cameron acknowledged that Pentex was a "geared company," having financed all of its past acquisitions through bank financing.

The issued share capital consists of 20m 10p shares. The company expects trading to open at about £1 a share, the same price as that paid recently by institutions.

The directors hold 25 per cent of the shares. Institutions include Abnstrut with 15 per cent and Strand Associates with 13 per cent.

Partco expands

Partco, the vehicle parts distributor, has acquired Downey Antoparts, the Belfast-based parts company.

Net assets being acquired amount to some £400,000 and the transaction will be satisfied out of cash resources.

U.S. \$200,000,000

中國銀行

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Floating Rate Notes 1995

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from January 5, 1995 to July 5, 1995 the Notes will carry an Interest Rate of 7.50% per annum. The interest payable on the relevant interest payment date, July 5, 1995 will be U.S. \$37.71 per U.S. \$100,000 Note, U.S. \$377.08 per U.S. \$10,000 Note, U.S. \$3,770.83 per U.S. \$100,000 Note and U.S. \$9,427.08 per U.S. \$250,000 Note.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

January 5, 1995

ATCO

Craigton Twa

The ATCO Group is pleased to announce the appointment of Mr Craigton Twa as Executive Vice President - Office of the Chairman - ATCO Ltd. and CANADIAN UTILITIES Limited.

Mr Twa first joined the ATCO Group of Companies in 1959 and was appointed President of ALBERTA POWER and its subsidiaries in 1986. He was appointed Executive Vice President of CANADIAN UTILITIES Limited in January 1994 and continues in his position as Deputy Chairman of the CU GAS Division, ALBERTA POWER Limited and CU POWER INTERNATIONAL Limited.

The ATCO Group includes CANADIAN UTILITIES - ATCO STRUCTURES - and FRONTIER LOGISTICS.

U.S. \$150,000,000

General Electric Capital Corporation

Medium-Term Notes, Series B

Floating Rate Notes Due January 6, 2003

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from January 5, 1995 to July 5, 1995 the Notes will carry an Interest Rate of 6.75% per annum. The interest payable on the relevant interest payment date, July 5, 1995 will be U.S. \$33.94 per U.S. \$100,000 Note, U.S. \$339.38 per U.S. \$10,000 Note, U.S. \$3,393.75 per U.S. \$100,000 Note.

By: The Chase Manhattan Bank, N.A. London, Agent Bank

January 5, 1995

NEWS DIGEST

assets sold were the source of operating losses of £938,000 in the year to September 30 1994. In the six months to March 31 Undare incurred pre-tax losses of £14.6m (£4.5m) after an £8m provision to dispose of the wire businesses.

Kalamazoo buys

Kalamazoo Computer Group, the expanding Birmingham-based computer services and printed systems group, has acquired GMS Tickets, the security print specialist, in a cash deal worth up to £700,000.

GMS supplies a full range of added value season ticket books and personalised admission tickets for the sports and leisure industry. Its customer base includes 60 per cent of all UK football clubs.

Mowlem prison win

Charter Builders, the North American arm of John Mowlem, the construction group, has won a \$24m (£15.5m) contract to build a women's prison in Gatesville, Texas.

The prison - the sixth contract to be carried out under the arrangement with the

EIT classification

Edinburgh Investment Trust has decided that its classification within the Association of Investment Trust Companies monthly information service should be changed from International - General to UK - General.

The trust has about 88 per cent of its £1.1bn gross assets invested in the UK and will be the largest company in the UK - General sector.

Saltire rights

The rights issue by Saltire, formerly Cannon Street Investments, received 43.64 per cent acceptances.

The balance of £7.53m shares will be subscribed by Samuel Montagu and the institutions which participated in sub-underwriting of issue. Montagu will then hold 3.86 per cent stake in Saltire and Bank of Scotland will hold 6.2 per cent

PUBLIC WORKS LOAN BOARD RATES									
Effective January 3									
Term	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate	Rate
Over 1 up to 2	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4	7 1/4
Over 2 up to 3	8	8	8	8	8	8	8	8	8
Over 3 up to 4	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2	8 1/2
Over 4 up to 5	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 5 up to 6	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 6 up to 7	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 7 up to 8	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 8 up to 9	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 9 up to 10	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 10 up to 15	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 15 up to 25	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4
Over 25	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4	8 3/4

*Non-cash loans A are 1 per cent higher and non-cash loans B 2 per cent higher in each case than cash loans. Fixed rate loans of periods 12 months and over are subject to a 10 per cent discount on the rates shown. 5 Year half-yearly payments to include principal and interest, 5 Year half-yearly payments of interest only.

Notice of Interest Rate									
To the Holders of									
Banco Central del Uruguay									
New Money Notes Due 2006									
Debt Conversion Notes 2007									
Series Description	Rate	Interest Amount	Interest Date	Interest Date	Interest Date	Interest Date	Interest Date	Interest Date	Interest Date
USD Debt Conversion Notes	7.00% P.A.	USD \$1,000	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995
USD Debt Conversion Notes	8.00% P.A.	USD \$1,000	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995
USD Debt Conversion Notes	9.00% P.A.	USD \$1,000	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995	July 4, 1995

NOTICE IS HEREBY GIVEN that the interest rate covering the interest period from January 2, 1995 to July 2, 1995 are detailed below.

January 5, 1995

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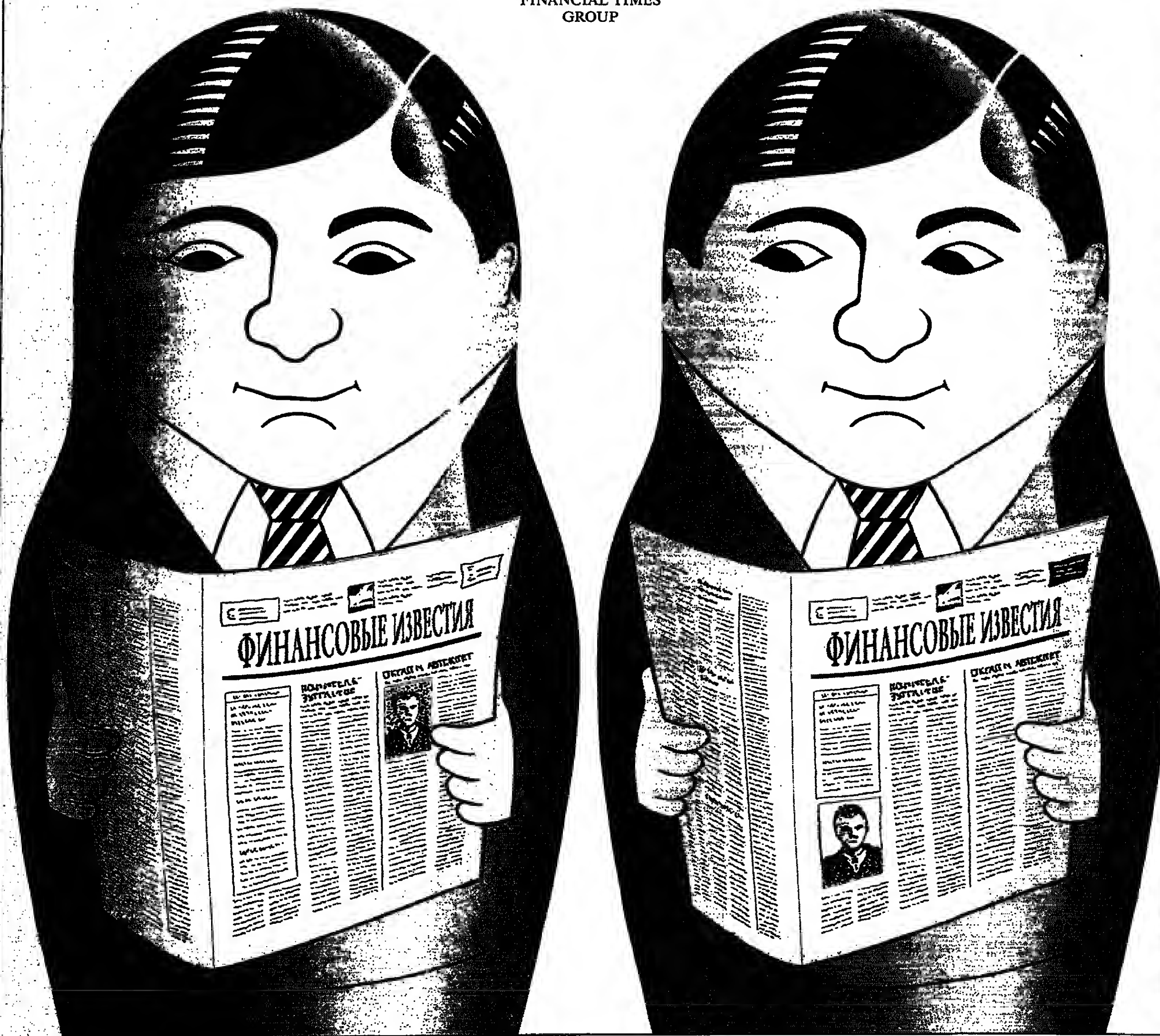
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FINANCIAL TIMES
GROUP



COMMODITIES AND AGRICULTURE

Gold price drops to 8-month low

By Kenneth Gooding, Mining Correspondent

Gold's price dropped to its lowest level for eight months yesterday as investment funds sold heavily. The price fell to \$375.50 a troy ounce at the morning "fix" in London before recovering a little to close at \$376.10, down \$4.20.

The prospect of the gold market being caught in a "death cross", which, according to technical theory, could signal a sharp price fall, might have prompted the fund selling, suggested Mr Andy Smith, analyst at Union Bank of Switzerland.

The "death cross" began to loom over the market before the Christmas break. It occurs if the 200-day moving average is crossed by the 50-day moving average while both are falling.

MARKET REPORT

Copper leads retreat

Traders described the COPPER market as the "bell-wether" of the London Metal Exchange yesterday as a \$100-a-tonne fall triggered selling of other base metals.

Investment fund selling was cited as a major factor in the fall, coupled with an easing in concern about nearly supply tightness, which saw the cash price revert to its normal discount to forward positions for the first time in two and a half months.

Bargain-hunting and some Chinese buying stiffened sentiment in late trading, however, and the three months position ended at \$2.917 a tonne, \$29 off the day's low.

ALUMINIUM prices also came under heavy pressure, following Tuesday's leap to 4% highs, which traders said had left the market over-extended and ripe for profit-taking. The three months price dipped to \$1,980 a tonne before rallying to \$1,990, down \$34.

Other LME metals followed a

similar pattern, with heavy losses being partly recouped late in the day.

London COMMODITY EXCHANGE COFFEES futures ended mostly lower in choppy dealings that saw prices swing between gains and losses in light volume. The March contract ended \$1 down at \$2,754 a tonne, having swung between a high of \$2,770 and a low of \$2,730.

SUGAR futures prices remained firm in late dealings after the front two months reached contract highs. March futures were trading at \$427.20 a tonne, up \$9.20 on the day.

The move higher was backed by trade buying and a technically bullish New York market, which was trading at four-year highs. "It was a speculative move," one trader said.

COCOA futures reversed early falls following news of a better-than-expected consumption figure for the fourth quarter. Compiled from Reuters

US markets set fresh turnover records

By Laurie Morse in Chicago

Lower world-wide cotton crops, two frosts and a drought in the coffee-growing regions of Brazil and a revival in demand for industrial metals helped boost turnover at US commodity exchanges in 1994.

Total futures and options trading at New York's Coffee, Sugar and Cocoa Exchange reached a record 12.7m contracts in 1994, up 12 per cent from the previous year. Of that total, world sugar futures trading comprised 4.7m contracts, a 10 per cent rise over 1993. Coffee futures and options turnover was a record 3.8m, up from the previous year's 3.4m. The exchange's cocoa futures traded a record 2.4m contracts.

Volume at the New York Cotton Exchange jumped 36 per cent in 1994, to 4.68m contracts, with cotton futures comprising 2.3m of that record volume. The NYCE acquired the New York Futures Exchange during the year and the NYFE separately reported annual volume of 873,359 contracts.

The New York Mercantile Exchange, which merged with the Commodity Exchange in August, reported a combined volume record of 78.7m contracts. Its NYMEX energy division saw record turnover of 58.2m contracts, a 6 per cent increase over 1993.

The Comex division, which benefited from a recovery in world metal markets, reported record 1994 turnover of 20.3m contracts, 6 per cent higher than in 1993. Silver futures enjoyed a 23 per cent volume gain last year at 6m contracts, while copper futures turnover increased 33 per cent, to 2.7m contracts.

At the Chicago Board of Trade, volume in agricultural futures and options was flat compared to an active 1993, with 42m contracts traded.

Miners attracted to Cuban 'geological pearl'

Pascal Fletcher reports on efforts to overcome foreign investors' political worries

Optimism, the stock in trade of the mineral prospector, is in ample supply among the Canadian miners exploring for commercially viable deposits in Cuba.

"Cuba is a geological pearl," says one. "Here you can just take a shovel and find a deposit... It's just the way Mother Nature laid it down."

The island republic's decision to open up its mineral resources to foreign exploration and investment has attracted a trail-blazing scramble of largely junior mining companies, most of them Canadian.

Under risk exploration contracts signed in the past 18 months, more than a dozen such companies, including Australian, Venezuelan and Panamanian operators, are prospecting for gold, silver, copper, zinc and other metals and minerals.

Their activities have more recently provoked the curiosity of the world's mining giants, known to have cautiously checked out what Cuba has to offer as RTZ of the UK, which claims to be the world's biggest mining company, Australia's BHP and South Africa's Gen-

cor and Anglo-American.

Gencor has taken its interest a step further and is negotiating for two exploration and development concessions containing gold, copper and nickel. The South African company has also used its high-leaching technology to test a previously identified Cuban gold deposit.

Besides the inherent risks of exploration, possible investors in Cuban mining must weigh other potential obstacles and risks, like the continuing US economic embargo against Cuba, claims against former US-held mining properties there and a deep recession gripping what is still a centrally-run state economy.

In the area of nickel and cobalt, however, where Cuba's known reserves are recognised to be among the largest in the world, two major companies have decided the risks are worth taking. Cuba signed a nickel and cobalt processing and refining joint venture with Canada's Sherritt in the middle of last year and, more recently, announced a large-scale exploration and development project with Australia's Western Mining Corporation.

The growing foreign interest has prompted Cuba to draw up a new mining code, approved by the National Assembly on December 21. The law explicitly checks out what Cuba has to offer as RTZ of the UK, which claims to be the world's biggest mining company, Australia's BHP and South Africa's Gen-

There will be a lot of flexibility," Mr de los Reyes says. Cuba's mining potential had long been hidden from the West by the country's 30-year relationship with the Soviet Union, whose geologists helped draw up detailed maps identifying known or possible mineral deposits.

Canadian Juniors, like Joutel Resources and Carthage Mines, have pioneered the exploration of gold and polymetallic targets in Cuba and reported several discoveries. "It's exciting. So far, so quick," says Joutel's Chairman, Mr Hugh Harbison.

One of the most advanced ventures is the Delita gold project on Cuba's Isle of Youth, part of a concession operated by Canada's Miramar Mining Corporation. A feasibility study is being carried out and officials at Geominera, the Cuban state company that negotiates exploration contracts, hope gold production could start there in 1996.

On a larger scale, Sherritt, the Canadian nickel producer, agreed a deal to link its refinery at Fort Saskatchewan to a Cuban processing plant producing nickel/cobalt sulphide at Moa Bay in eastern Cuba. The merger sets up a joint venture company that will share nickel and cobalt on the world market.

Mr de los Reyes says this project is expected to help boost Cuba's nickel output, advanced stage. He believes they will be concluded this month or next.

Mr Castilla has declined to name the companies involved, but the British trade house E.D. & F. Man Sugar is one of those that have been talking to the Cubans.

Mr Chris Murphy, a director of Man Sugar, said yesterday that talks were at a preliminary stage and nothing had been decided. He said, however, that both financing and joint ventures had been covered and that he expected progress in the next couple of months.

which fell to just over 30,000 tonnes in 1993 from a 1989 high of 46,591 tonnes.

Nickel was once Cuba's second-biggest export earner after sugar, but it has slipped to third place behind tourism. The industry was hit badly by the collapse of the Soviet Union, which was previously the biggest supplier of technical inputs and also the biggest market for Cuban nickel.

Prospects for recovery have also been brightened by the more recent announcement of a project with Australia's Western Mining Corporation to explore and develop a big nickel/cobalt deposit, estimated at more than 300m tonnes of mineral, in eastern Holguin province.

The accord, which exists only as a letter of intent while details are being negotiated, foresees a joint company in which the Australian participation will be 65 per cent and the Cuban share 35 per cent. It also includes plans to build a refinery in Cuba.

Mr de los Reyes says the majority foreign share granted in this case, which exceeds the 49 per cent stake usually conceded to foreign investors in Cuba, is justified by the size of the project, valued at more than \$600m.

Cuban officials acknowledge that many big companies, especially those with interests in the US, are worried by the American economic embargo, which blocks not only sales of Cuban nickel to the US but

also products made with Cuban nickel.

Another potential obstacle is the existence of claims against mineral deposits and plants in Cuba by their previous US owners, such as the Moa Bay Mining Company, who lost the properties when the Cuban government nationalised US interests following the 1959 revolution.

Mr de los Reyes says the US companies never accepted the compensation offers made by Cuba's revolutionary government. He says Cuba was assessing potential foreign investors that the government, and not the foreign partners, would deal with any claims if they arose in practice.

Foreign mining investors see the recent liberalising and decentralising economic reforms in Cuba as encouraging but are still looking for tax concessions, more room for private enterprise and solid guarantees of long-term concessions.

"The best security of tenure is ownership of the mine," says Mr Wessel Pienaar, manager for mining law and property with Anglo-American.

Private ownership is certainly not being offered by Cuba's draft mining code, which copies Latin American legislation already existing in Latin America.

So far the time being foreign firms investing in Cuba will have to live with the fact that their state partner also makes the rules.

Foreign finance sought for troubled sugar sector

By Pascal Fletcher in Havana and Alison Maitland in London

Cuba is negotiating with British and Arab companies to secure financing for its troubled sugar sector and to set up sugar refining joint ventures.

Deputy Foreign Investment Minister, Mr Octavio Castilla, says that letters of intent have been signed and adds that negotiations are at an

advanced stage. He believes they will be concluded this month or next.

Mr Castilla has declined to name the companies involved, but the British trade house E.D. & F. Man Sugar is one of those that have been talking to the Cubans.

Mr Chris Murphy, a director of Man Sugar, said yesterday that talks were at a preliminary stage and nothing had been decided. He said, however, that both financing and joint ventures had been covered and that he expected progress in the next couple of months.

Tate and Lyle declined to comment on whether it was involved in talks, but said: "Cuba among others, as a major sugar-supplying country, is an area we would be looking at".

Mr Castilla said Cuba was seeking external financing to

guarantee essential harvest inputs - fuel, machinery parts, fertilisers, herbicides and pesticides for specific sugar cane growing areas. Foreign companies would receive either sugar or funds in payment.

The other option was the creation of joint ventures to modernise and operate existing sugar refineries. This variant would also have to address the problem of inputs to ensure

stable production of crude sugar for refining.

Cuba, traditionally the world's largest exporter of crude sugar, saw its 1993-94 production slump to a historic low of 4m tonnes, around half the output level of five years ago.

Cuban officials blame the decline on severe shortages of harvest inputs, previously supplied by the former Soviet Union.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Forward Metal Trading)

■ ALUMINIUM, 99.7% Purity (3 months)

Close 1987-8 1985-6

Previous 2003-9 2003-9

High/Low 1975/1972 2017/1990

AM Official 1975-6 1987-8

Kerb close 1989-90 1989-90

Open int. 245,520

Total daily turnover 75,413

■ ALUMINIUM ALLOY (3 months)

Close 1989-90 1993-45

Previous 1910-5 1950-5

High/Low 1982/1980 1982/1980

AM Official 1989-90 1993-45

Kerb close 1993-45 1993-45

Open int. 2,702

Total daily turnover 4,022

■ LEAD (3 months)

Close 1990-50 1990-50

Previous 1990-50 1990-50

High/Low 1992/1995 1992/1995

AM Official 1990-50 1990-50

Kerb close 1990-50 1990-50

Open int. 4,756

Total daily turnover 8,997

■ NICKEL (3 months)

Close 1995-95 1990-20

Previous 1995-95 1990-20

High/Low 1990-20 1990-20

AM Official 1995-95 1990-20

Kerb close 1995-95 1990-20

Open int. 55,511

Total daily turnover 16,334

■ TIN (3 months)

Close 1990-45 1990-45

Previous 1990-45 1990-45

High/Low 1990-45 1990-45

AM Official 1990-45 1990-45

Kerb close 1990-45 1990-45

Open int. 103,750

Total daily turnover 18,551

■ COPPER, grade A (3 months)

Close 1995-95 2008-7

Previous 1995-95 2008-7

High/Low 2008-7 2008-7

AM Official 2008-7 2008-7

Kerb close 2008-7 2008-7

Open int. 223,107

Total daily turnover 116,411

■ LME AM Official 3 months 1,9905

LME Closing 3 months 1,9902

Spot 1,9912 3 months 1,9908 6 months 1,9904 9 months 1,9901

■ HIGH GRADE COPPER COMEX

Close 1990-45 1990-45

Previous 1990-45 1990-45

High/Low 1990-45 1990-45

AM Official 1990-45 1990-45

Kerb close 1990-45 1990-45

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TRANSPORT - Cont.

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WORLD STOCK MARKETS

EUROPE									
Stock	High	Low	Open	Close	Change	Volume	Value	Index	Index
AUSTRIA (Jan 4/95)									
Bank Austria	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Erste Bank	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Wolfsberg	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
BELGIUM (Jan 4/95)									
ABN-AMRO	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Bank of Belgium	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Fortis	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
FRANCE (Jan 4/95)									
BNP Paribas	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Crédit Lyonnais	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Paribas	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
GERMANY (Jan 4/95)									
Commerzbank	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Deutsche Bank	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Industbank	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
ITALY (Jan 4/95)									
Banca d'Italia	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Montedison	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Sanpaolo	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
NETHERLANDS (Jan 4/95)									
ABN-AMRO	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Bank of Amsterdam	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Fortis	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
PORTUGAL (Jan 4/95)									
Bank of Portugal	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Commerzbank	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Industbank	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
SPAIN (Jan 4/95)									
Banco de España	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Commerzbank	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Industbank	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
SWITZERLAND (Jan 4/95)									
Bank of Switzerland	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Commerzbank	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Industbank	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
UNITED KINGDOM (Jan 4/95)									
Barclays Bank	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Commerzbank	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Industbank	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000

INDICES									
Index	High	Low	Open	Close	Change	Volume	Value	Index	Index
EUROPE									
Austria	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Belgium	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
France	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Germany	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Italy	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Netherlands	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Portugal	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Spain	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Switzerland	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
United Kingdom	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000

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Austria	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Belgium	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
France	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Germany	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Italy	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Netherlands	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Portugal	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Spain	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Switzerland	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
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France	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Germany	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Italy	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Netherlands	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Portugal	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Spain	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Switzerland	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
United Kingdom	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000

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France	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Germany	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
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Netherlands	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Portugal	10.20	10.10	10.15	10.15	0.00	100	1.02	1000	1000
Spain	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
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France	10.00	9.90	9.95	9.95	0.00	100	1.00	1000	1000
Germany	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Italy	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Netherlands	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Spain	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Sweden	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Switzerland	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
UK	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
ASIA									
Hong Kong	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Japan	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
South Korea	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Taiwan	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Thailand	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Philippines	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Indonesia	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Singapore	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
AMERICA									
Canada	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
USA	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Mexico	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Brazil	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Argentina	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Chile	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Colombia	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Venezuela	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Peru	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Ecuador	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Guatemala	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Honduras	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Nicaragua	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Panama	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Paraguay	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Uruguay	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Zambia	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000
Zimbabwe	10.10	10.00	10.05	10.05	0.00	100	1.01	1000	1000

Set Dec 31: Taiwan Weighted Price (a) Korea Composite (b) Japan Nikkei (c) Nikkei 225 (d) Nikkei 225 (e) Nikkei 225 (f) Nikkei 225 (g) Nikkei 225 (h) Nikkei 225 (i) Nikkei 225 (j) Nikkei 225 (k) Nikkei 225 (l) Nikkei 225 (m) Nikkei 225 (n) Nikkei 225 (o) Nikkei 225 (p) Nikkei 225 (q) Nikkei 225 (r) Nikkei 225 (s) Nikkei 225 (t) Nikkei 225 (u) Nikkei 225 (v) Nikkei 225 (w) Nikkei 225 (x) Nikkei 225 (y) Nikkei 225 (z) Nikkei 225 (aa) Nikkei 225 (ab) Nikkei 225 (ac) Nikkei 225 (ad) Nikkei 225 (ae) Nikkei 225 (af) Nikkei 225 (ag) Nikkei 225 (ah) Nikkei 225 (ai) Nikkei 225 (aj) Nikkei 225 (ak) Nikkei 225 (al) Nikkei 225 (am) Nikkei 225 (an) Nikkei 225 (ao) Nikkei 225 (ap) Nikkei 225 (aq) Nikkei 225 (ar) Nikkei 225 (as) Nikkei 225 (at) Nikkei 225 (au) Nikkei 225 (av) Nikkei 225 (aw) Nikkei 225 (ax) Nikkei 225 (ay) Nikkei 225 (az) Nikkei 225 (ba) Nikkei 225 (bb) Nikkei 225 (bc) Nikkei 225 (bd) Nikkei 225 (be) Nikkei 225 (bf) Nikkei 225 (bg) Nikkei 225 (bh) Nikkei 225 (bi) Nikkei 225 (bj) 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AMERICA

Dow trades narrowly on data prospect

Wall Street

US shares traded in a narrow band in spite of rising bond prices and a firming dollar, writes Lisa Branstetter in New York.

By 1 pm, the Dow Jones Industrial Average was down 4.39 at 3,834.10. The more volatile Standard & Poor's 500 declined 1.00 to 458.11 and the American Stock Exchange composite gained 0.21 at 433.37. The Nasdaq composite slipped 2.24 to 741.47. Trading volume on the NYSE came to 1.61m shares.

The market remained listless ahead of important jobs figures to be released tomorrow. Share prices had ebbed and flowed for weeks on speculation about another interest rate increase from the Federal Reserve, and recent mixed economic data had not helped traders form a consensus opinion about the likelihood of another increase at the January 31 meeting of the Fed's open market committee.

Economists expected December's unemployment level to hold at 5.6 per cent after an unexpectedly large gain in November.

Little attention was paid to figures released yesterday which showed that November construction expenditure had risen by 0.7 per cent, slightly more than economists' expectations.

Shares in Mexican companies traded on the New York Stock Exchange added to their losses. Telefonos de Mexico, which was the most active stock on the exchange, hit a new 52-week low, falling to \$36.75 before a partial recovery to close the morning down \$1.40 at \$37.15. Grupo Televisa lost \$2 at \$27.75.

The crisis in Mexico also bruised other Latin markets. Compania Telefonos de Chile was off \$1.40 at \$78 and Telefonos de Argentina receded \$1.10 to \$50.40.

Philip Morris gained \$4 at \$58.75 after the company announced that it would merge two of its food units, Kraft and General Foods, into a single company.

Johnson & Johnson put on \$4 at \$54.40 after the health care products company said that it would buy Mitek Surgical Products for \$30 a share. Mitek Surgical, which trades on the Nasdaq, jumped nearly 24 per cent on the news, rising \$5.50 to \$29.

Scios Nova climbed \$1.75 to \$7.75 after the biotech company announced late on Tuesday that it would work with the industry leader, Genentech, on the development of a drug to treat kidney failure. Genentech, up \$1 at \$46.75, will market Scios Nova's drug outside North America, and the two companies will work together to sell the drug in the United States and Canada.

Canada

Battered gold shares continued to weigh heavily on the Toronto stock market at midday, helped by financial services and conglomerates. The TSE 300 composite index fell 27.83 to 4,158.24 in 30.28m shares valued at C\$341.64m.

The precious metals sub-index dug its way back from its session lows, but it was still trading at 80 or 2.4 per cent below 9,043.78. Gold futures slipped to eight-month lows before recovering slightly.

West Fraser Timber lost C\$4 at C\$39 in 368,300 shares after it completed its purchase of Eagle Hardware & Garden's Canadian operations for C\$32.9m. Part of the purchase price was 750,000 West Fraser shares at C\$38 each.

The mining heavyweight American Barrick Resources added C\$4 to C\$29.75 with 862,881 shares crossing.

Mexican equities plunge

Mexican equities opened down by more than 6 per cent as heavy selling by both domestic and US investors took hold.

The nervousness spread to Brazil and Argentina, whose stock markets also skidded by 5 per cent.

The latest falls occurred as the Mexican government lifted interest rates by a further 2 percentage points to 33 per cent and as investors reacted negatively to President Ernesto Zedillo's statement on Tuesday of emergency economic measures.

By midsession, Mexico's IPC index had begun to claw back some of its losses, down 8.85 or 4 per cent at 2,188.62, while Brazil's Bovespa index was also steadier, off 3.7 per cent at 39,465. In Argentina the Merval index lost 25.64 or 5.5 per cent to 441.35.

Mr James Rendell, an emerging markets strategist at James Capel in New York, remarked that there was a complete lack of investor confidence in the Mexican government at the moment.

He felt that all the negative news had yet to be factored into share prices, and predicted a fourth-quarter 1994 company results, which would reflect the peso's devaluation. Consequently, he was recommending an underweight position and saw further downside in the IPC index.

He remained more confident about the future direction of Brazil, believing that the market would be driven more by domestic factors following the economic reforms advocated by President Fernando Henrique Cardoso; but he noted that Argentina faced current account difficulties similar to those of Mexico.

Ms Sarah Lavers, head of research at Lattimore in London, felt that once the current bout of panic subsided there was still reason to expect a return to optimism in 1996. The country, she said, had a sound manufacturing base from which to work.

EUROPE

Madrid fails to sustain positive response

There was no panic reaction to the Bank of Spain's interest rate increase, writes Our Markets Staff. Strategists saw it as a reflection of the country's domestic political problems.

Spain's rate rise made it the fifth European country to lift official interest rates in the current cycle, after Sweden, Italy, the UK and Finland.

MADRID failed to sustain a positive response to its repo rate rise, a weakening peseta leading the March bond future from a 32 basis points gain to a small loss, and the general index added just 0.1 at 288.26.

There had been hopes that the prospect of US car sales figures would give German carmakers a lift. But BMW dropped DM7 to DM754, although the group said its Rover unit was considering building Land Rovers at the company's South Carolina plant, under the pressure of recently strong demand.

Outside the Dax, the mortgage bank Depfa recovered DM5 to DM730 after its fall of DM35 on Tuesday. There had been rumours that a debtor, the east German hotel group Inter Hotel, was in financial difficulty; but the BZW analyst, Mr Andreas Schmidt, maintained his buy recommendation, saying that there was no sign of increased risk with the loans.

PARIS continued to improve, although, as analysts noted, this had to be taken in context with a 17 per cent loss in the CAC-40 index during 1994. The index moved forward 15.88 to 1,501.79 in seasonally low turnover of FF2.2bn.

Eurotunnel, which is not a constituent stock, added 5.4 per cent to FF1.35 at FF26.35 on reports that one US brokerage concern had reiterated its buy recommendation and as the Channel tunnel operator's vehicle shuttle service went into full 24-hour operation.

In the electrical engineering sector, Schneider gained 4.5 per cent on a technical rebound, the shares improving FF16.30 to FF368.40.

FT-SE Actuaries Share Indices

Jan 4	Open	10.30	11.00	12.00	13.00	14.00	15.00
FT-SE Eurotrack 100	1398.09	1398.25	1398.51	1398.17	1397.55	1398.25	1397.95
FT-SE Eurotrack 200	1392.23	1391.35	1392.25	1391.17	1392.64	1392.04	1392.70

backwater. The Dax index eased 2.52 to 2,072.25 on the session as turnover rose from DM3.5bn to DM4.1bn, and closed the afternoon at an Ibis-indicated 2,072.90.

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There had been hopes that the prospect of US car sales figures would give German carmakers a lift. But BMW dropped DM7 to DM754, although the group said its Rover unit was considering building Land Rovers at the company's South Carolina plant, under the pressure of recently strong demand.

Outside the Dax, the mortgage bank Depfa recovered DM5 to DM730 after its fall of DM35 on Tuesday. There had been rumours that a debtor, the east German hotel group Inter Hotel, was in financial difficulty; but the BZW analyst, Mr Andreas Schmidt, maintained his buy recommendation, saying that there was no sign of increased risk with the loans.

PARIS continued to improve, although, as analysts noted, this had to be taken in context with a 17 per cent loss in the CAC-40 index during 1994. The index moved forward 15.88 to 1,501.79 in seasonally low turnover of FF2.2bn.

Eurotunnel, which is not a constituent stock, added 5.4 per cent to FF1.35 at FF26.35 on reports that one US brokerage concern had reiterated its buy recommendation and as the Channel tunnel operator's vehicle shuttle service went into full 24-hour operation.

In the electrical engineering sector, Schneider gained 4.5 per cent on a technical rebound, the shares improving FF16.30 to FF368.40.

Among insurers, GAN gained FF6.20 at FF260.30 as the government said it had completed a FF1bn recapitalisation ahead of the company's forthcoming privatisation.

ZURICH was led higher by cyclical stocks as the SMI index rose 20.8 to 2,633.1. Brown Boveri bearers moved ahead SF19 to SF1.157, Georg Fischer by SF140 to SF1.590 and Sulzer by SF13 to SF1.903.

On the margin between cyclical and defensive stocks, Ciba bearers advanced SF1.1 to SF1.797, while Roche certificates climbed SF1.10 to SF1.450. But Ascom dropped SF1.75 to SF1.285 on several large sell orders.

AMSTERDAM recovered Tuesday's loss and inched ahead, the AEX index rising 0.56 to 417.38 as the stock exchange authorities reported that turnover set a new record of FF1.12bn last year, against FF1.04bn in 1993.

Océ-Van der Grinten, the photocopier manufacturer, slipped 50 cents to FF17.80 as analysts forecast sharply higher 1994 earnings, due on Friday, and a further rise in 1995. The shares were among the best performers in 1994, gaining 14 per cent.

Hoogovens, the steel producer, seemed to be another victim of its own success, with its shares down FF1.00 to FF178.50 yesterday. Last year, it was the market's best performer by far, moving forward by 60 per cent.

Philips, up 20 cents to FF152.40, said it had reached an agreement with Sony, of Japan, for the specifications for what was described as a multichannel compact disc, the combination of audio tracks with additional CD-ROM information. The electronics group also announced that it was to build a \$10m plant in Poland for the assembly of video recorders and CDs.

MILAN rallied during the last hour and the Comit index finished 0.15 higher at 642.97. Volume remained low, with shares worth just L600bn traded.

Investors were dismayed that President Oscar Luigi Scalfaro, who was ill, had postponed a second round of consultations with political leaders to try to determine the shape of the next government.

Written and edited by William Cochrane and John PM

ASIA PACIFIC

Dollar's rise against yen fails to lift Nikkei

Tokyo

The Nikkei 225 average finished the first day of trading in 1995 marginally lower as arbitrage unwinding depressed the market.

The index closed a half-day session down 38.02 at 19,694.04, after moving between 19,641.22 and 19,724.76. Investors failed to react to the dollar's rise against the yen. The US currency moved above ¥101 for the first time since August last year on expectations of higher US interest rates.

The Topix index slipped 5.69 to 1,553.40 and the Nikkei 50 shed 1.02 to 286.15, while the Nikkei 225 lost 38.02 to 19,694.04. The Nikkei 225 index was unchanged in London the 18/19/20. The index eased 0.16 to 1,287.51.

Volume was 76m shares, against 128m traded in the half-day session of December 30. While most investors remained inactive, traders said the rise in the dollar could prompt overseas investors to start buying Japanese shares.

Brokers' stocks were lower on fears of depressed earnings due to sluggish trading volume - average daily turnover on the Tokyo stock exchange last year was ¥336bn, down 1.5 per cent from 1993. Worries over the health of smaller brokers were starting to spread since turnover was far lower than the break-even point for many of them. Among their bigger brethren, Nikko Securities fell ¥30 to ¥1,100 and Daiwa Securities ¥20 to ¥1,420.

The dollar's improvement against the yen failed to support export-orientated high-technology stocks: Fujitsu slipped ¥10 to ¥1,000 and Toshiba ¥30 to ¥7,550. Sony, however, gained ¥30 to ¥5,880 and Pioneer Electronic ¥20 to ¥2,420.

Individual investors traded speculative favourites. Nippon

Paint topped the first section's volume list, rising ¥34 to ¥718. Sakai Over, the synthetic textile maker, fell ¥22 to ¥730 on profit-taking, while Pacific Metals retreated ¥9 to ¥539.

Privatisation issues were lower, with Nippon Telegraph and Telephone down ¥5,000 to ¥78,000 and Japan Tobacco off ¥11,000 to ¥97,500.

In Osaka, the OSE average lost 77.86 at 21,524.59 in volume of 8.5m shares. Nintendo, the video game maker, rose ¥80 to ¥5,450, but Ono Pharmaceutical declined ¥30 to ¥4,740.

Roundup

Big sellers shifted their sights from Hong Kong to markets elsewhere in the region. Taiwan remained closed for the new year holiday.

SEOUL reported heavy selling of blue chips in thin overall trading as the composite index receded 16.55 to 997.01. In spite of the index fall, gains outscored losers by 415 to 371.

Among the winners, construction shares were in the spotlight on expectations of improved corporate earnings this year. The sub-index added 10.51 points to 616.70 and Woorung Construction went the way of the limit up with a rise of Won800 to Won15,800.

KUALA LUMPUR declined 1.2 per cent, the KLSSE composite index dipping 11.89 to 957.81 in thin volume of 70m shares. Once again, dealers blamed falls in key blue chip stocks.

ACP Industries sprang to life in the afternoon after a subdued morning session. Followed by an impressive debut on Tuesday, doubling its IPO price, the construction materials group ended 58 cents or 11.8 per cent stronger at M\$5.50.

after 2.1m shares traded. SINGAPORE, which took over as the main Asian trading centre for Jardine Matheson and Jardine Strategic on January 3 (the two delisted from Hong Kong on December 30) saw a better day for the debut stocks with US dollar gains of 55 cents to \$7.55 and 12 cents to \$4.46 respectively. The Straits Times Industrial index closed 2.11 easier at 2,244.14.

MANILA reacted to Tuesday's drop in Hong Kong, the composite index losing 33.31 or 1.3 per cent at 2,771.97.

KARACHI fell on fears of possible fresh violence in the city, the KSE 100 index receding 12.92 to 2,077.74.

BOMBAY saw profit-taking by small investors as the BSE index fell 27.89 to 5,887.14. HONG KONG's Hang Seng index recovered a token 42.87 at 7,887.01 after Tuesday's 4.2

per cent drop. Trading was finely balanced between US institutional selling and arbitrage-led futures trading, with local investors bargain hunting.

Turnover rose from HK\$1.97bn to HK\$2.39bn. Other winners included BANGKOK, with the SET index up 6.58 to 1,360.63 on late buying of blue chips, and JAKARTA, where the JKSE index rose 2.1 to 474.49 ahead of today's 1995/96 budget.

COLOMBO rose due to positive sentiment among domestic investors after Tuesday's peace talks in which the Sri Lankan government and Tamil rebels agreed to cease hostilities.

The CSE all-share index put on 6.74 at 965.17, and turnover rose from Rs32.7m to Rs48.6m, ahead of tomorrow's policy statement by Mrs Chandrika Bandaranaike Kumaratunga, the island's president.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms			Local currency terms		
		Dec. 30 1994	% Change over week	% Change on Dec '93	Dec. 30 1994	% Change over week	% Change on Dec '93
Latin America	(207)	692.41	-0.8	-0.5			
Argentina	(24)	953.27	-4.0	-23.5	535,008.00	-4.0	-23.8
Brazil	(57)	473.56	+1.6	+68.9	1,500,372,094	+0.9	+1,111.6
Chile	(25)	1,104.71	-0.1	+46.2	1,773.71	-0.9	+36.0
Colombia	(11)	901.70	+5.1	+28.2	1,228.07	+5.8	+31.3
Mexico	(67)	677.82	-2.8	-38.7	1,439.38	+2.7	-3.0
Peru	(12)	182.19	-0.6	+49.3	242.98	+0.3	+50.4
Venezuela	(12)	546.91	+6.8	-14.5	2,135.71	+6.8	+39.0
Asia	(558)	284.55	-0.3	-13.2			
China	(18)	78.23	-1.5	-47.8	83.49	-1.7	-49.3
South Korea	(158)	144.01	+0.4	+18.5	149.25	+0.1	+15.7
Philippines	(19)	316.43	-0.8	-12.1	372.99	+0.2	-20.6
Taiwan, China	(17)	171.32	+4.3	+22.6	168.07	+0.6	+3.6
India	(76)	126.39	+0.1	+8.9	140.84	+0.0	+7.7
Indonesia	(58)	105.10	-0.8	-18.7	125.45	-0.4	-15.0
Malaysia	(104)	308.42	-1.0	-19.6	290.63	-1.4	-24.0
Pakistan	(15)	413.88	+3.4	-4.4	578.33	+3.5	-1.9
Sri Lanka	(5)	175.58	+0.7	-2.1	189.35	+0.7	-2.0
Thailand	(53)	454.87	-0.7	-18.2	453.23	-0.8	-19.4
Euro/Mid East	(125)	154.82	-1.6	-27.1			
Greece	(25)	321.98	+1.4	+3.4	524.64	+0.1	-0.2
Hungary	(5)	160.78	-2.7	-7.7	218.87	-3.7	+3.7
Jordan	(13)	183.50	-1.2	-7.3	271.95	-1.2	-5.0
Poland	(12)	483.97	+2.5	-42.4	742.49	+3.0	-34.5
Portugal	(23)	142.86	+0.5	+3.5	158.32	-1.3	-1.3
Turkey	(40)	157.35	-2.6	-39.6	2,859.05	-2.6	+63.4
Zimbabwe	(5)	258.43	-0.0	+25.8	318.39	-0.2	+46.6
Composite	(650)	358.98	-0.5	-12.2			

Indices are calculated at end-of-week, and weekly changes are percentage movement from the previous Friday. Data Dec 1994/1993 except those noted which are: (1994) 1991/1992; (1993) 1990/1991; (1992) 1989/1990; (1991) 1988/1989; (1990) 1987/1988; (1989) 1986/1987; (1988) 1985/1986; (1987) 1984/1985; (1986) 1983/1984; (1985) 1982/1983; (1984) 1981/1982; (1983) 1980/1981; (1982) 1979/1980; (1981) 1978/1979; (1980) 1977/1978; (1979) 1976/1977; (1978) 1975/1976; (1977) 1974/1975; (1976) 1973/1974; (1975) 1972/1973; (1974) 1971/1972; (1973) 1970/1971; (1972) 1969/1970; (1971) 1968/1969; (1970) 1967/1968; (1969) 1966/1967; (1968) 1965/1966; (1967) 1964/1965; (1966) 1963/1964; (1965) 1962/1963; (1964) 1961/1962; (1963) 1960/1961; (1962) 1959/1960; (1961) 1958/1959; (1960) 1957/1958; (1959) 1956/1957; (1958) 1955/1956; (1957) 1954/1955; (1956) 1953/1954; (1955) 1952/1953; (1954) 1951/1952; (1953) 1950/1951; (1952) 1949/1950; (1951) 1948/1949; (1950) 1947/1948; (1949) 1946/1947; (1948) 1945/1946; (1947) 1944/1945; (1946) 1943/1944; (1945) 1942/1943; (1944) 1941/1942; (1943) 1940/1941; (1942) 1939/1940; (1941) 1938/1939; (1940) 1937/1938; (1939) 1936/1937; (1938) 1935/1936; (1937) 1934/1935; (1936) 1933/1934; (1935) 1932/1933; (1934) 1931/1932; (1933) 1930/1931; (1932) 1929/1930; (1931) 1928/1929; (1930) 1927/1928; (1929) 1926/1927; (1928) 1925/1926; (1927) 1924/1925; (1926) 1923/1924; (1925) 1922/1923; (1924) 1921/1922; (1923) 1920/1921; (1922) 1919/1920; (1921) 1918/1919; (1920) 1917/1918; (1919) 1916/1917; (1918) 1915/1916; (1917) 1914/1915; (1916) 1913/1914; (1915) 1912/1913; (1914) 1911/1912; (1913) 1910/1911; (1912) 1909/1910; (1911) 1908/1909; (1910) 1907/1908; (1909) 1906/1907; (1908) 1905/1906; (1907) 1904/1905; (1906) 1903/1904; (1905) 1902/1903; (1904) 1901/1902; (1903) 1900/1901; (1902) 1899/1900; (1901) 1898/1900; (1900) 1897/1900; (1899) 1896/1900; (1898) 1895/1900; (1897) 1894/1900; (1896) 1893/1900; (1895) 1892/1900; (1894) 1891/1900; (1893) 1890/1900; (1892) 1889/1900; (1891) 1888/1900; (1890) 1887/1900; (1889) 1886/1900; (1888) 1885/1900; (1887) 1884/1900; (1886) 1883/1900; (1885) 1882/1900; (1884) 1881/1900; (1883) 1880/1900; (1882) 1879/1900; (1881) 1878/1900; (1880) 1877/1900; (1879) 1876/1900; (1878) 1875/1900; (1877) 1874/1900; (1876) 1873/1900; (1875) 1872/1900; (1874) 1871/1900; (1873) 1870/1900; (1872) 1869/1900; (1871) 1868/1900; (1870) 1867/1900; (1869) 1866/1900; (1868) 1865/1900; (1867) 1864/1900; (1866) 1863/1900; (1865) 1862/1900; (1864) 1861/1900; (1863) 1860/1900; (1862) 1859/1900; (1861) 1858/1900; (1860) 1857/1900; (1859) 1856/1900; (1858) 1855/1900; (1857) 1854/1900; (1856) 1853/1900; (1855) 1852/1900; (1854) 1851/1900; (1853) 1850/1900; (1852) 1849/19